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NATIONAL POLICY AND ISSUES

THEORETICAL SUPPORT FOR ECONOMIC SYSTEM REFORM

HK061050 Beijing RENMIN RIBAO in Chinese 31 Aug 83 p 5

[Article by Wang Zhuo [3769 3820]: "Discussions on the Theoretical Support for Reforming the Economic System"]

[Text] What Are the Principal Defects of the Original Economic System of Our Country?

In looking into the object and problem of the reform of the economic system of our country, it is necessary to insist on starting from reality. But what constitute the realities of the original economic system of our country? Usually, the answer is: over-centralization, too many administrative measures, and the practice of "everybody eating from the same big pot." What is the cause for over-centralization? Why is it that so many administrative measures are in force? And why must "everybody eat from the same big pot?" To answer these questions, we must further analyze the principal defects of the original economic system of our country.

The defects of the original economic system of our country are manifested in the following two directions:

1. "No demarcation between politics and business" and the three partitions emerging therefrom: partition between departments, partition between regions, and partition between cities and countryside. The production relations of the public ownership system are partitioned or divided, resulting in formation of the departmental ownership system and the regional ownership system; the inherent relations between producers of socialized commodities are partitioned; and the socialist unified property structure and unified markets are partitioned. This restricts the development of socialist commodity production. Under existing conditions, this restriction of the development of commodity production is tantamount to a restriction of the development of the social productive force.

Recognizing only the "syndication" of the state, that is, joint labor within the scope of the social structure and distribution according to work, but not recognizing the "syndication" of the enterprise, that is, not recognizing joint labor within the scope of the enterprise and distribution according to work; recognizing only exchange of labor at equal volume but not recognizing only exchange of labor at equal value but not recognizing the combination of exchange of labor at equal volume with exchange at equal value--this is the theoretical

basis of the planned economic system of production of articles. Under the original economic system of our country, the planned system of unitary planned regulations, the financial system of unified receipts and expenses, the credit and loan system of unified receipts and expenses, the credit and loan system of unified deposits and unified loans, the labor system of unified contracting and unified distribution, the national unified "eight-grade" wages system, the circulation, the national unified "eight-grade" wages system, the circulation system of unified purchase, contracting and marketing and centralized transfer, and so on--the theoretical pillar or support for all this is that in the internal structure of the system of ownership by the nation, there is only one single layer, or level, of joint labor and distribution according to work, that is to say, "syndication" of the state.

What Are the Objectives of the Reform of Our Country's Economic System?

In making an analysis of the principal defects of the original economic system of our country, our purpose is to find out the objectives of the reform of our country's economic system and the direction of the reform. What kind of economic system will it be transformed into?

The objectives available for selection are only three in number, namely:

1. Basically retaining the model of the original economic system, that is, the form of the planned-economy system of production of articles, making only certain necessary revisions or perfection measures;
2. The model of the market-economy system of commodity production; and
3. The model of the planned-economy system of commodity production.

At present, the form we wish to study is that of the planned-economy system of commodity production, which is the form under consideration in the reform of the economic system of our country. For this reason, we must further probe into its theoretical pillar of support (that is, the theoretical basis).

What Is the Theoretical Pillar of Support for the Reform of the Economic System of our Country?

The theoretical pillar of support for reform of the economic system of our country mentioned here refers to the theoretical pillar of support for the form of the planned-economy system of commodity production. What are its basic contents? In my opinion, they are: theory of commodity production, theory of planned economy, and theory of their reciprocal relations.

1. Theory of Commodity Production.

Concerning the socialist theory of commodity production, what Lenin mentioned as commodity production in the period of the new economic policy was related to the petty peasant producer, but what Stalin mentioned as commodity production was related to the two basic forms of the public ownership system of the means of production. In my opinion, we should take a step forward, break through

the traditional thesis of simply taking the structure of the ownership system as the theoretical basis of commodity production, and expand it into taking the ownership system and the internal structure of the system of ownership by the nation as the theoretical basis for the existence of commodity production in a socialist society. In this way we can in theory answer the problem of the theory of the "commodity outer crust" applied to the means of production. Emphasis is laid here on explaining the taking of the theory of the internal structure of the system of ownership by the nation as the theoretical basis for the existence of commodity production in a state-run economy. We shall dwell on the following three major points:

1) In the internal structure of the system of ownership by the nation, there exist the "syndicate" of the state and the "syndicate" of the enterprise, being, respectively, the two layers or levels of joint labor and distribution according to work inside the social sphere and joint labor: labor and distribution according to work within the sphere of the enterprise. Their mutual relations are the relations of the linking together of union and division. Union here refers to ownership relations, that is the joint body of enterprise labor is subsidiary to the joint body of social labor and that society is the economic center and the economic main body, exercising the economic functions of the direct control of labor and the means of production (in a socialist society, this socio-economic function is performed by the state). Division here refers to the levels of operation. The joint body of enterprise labor is an operation level and plays the leading role. On the operation levels, the relations between the social economic main body represented by the state and the concrete operations of the enterprise are the relations of a system of reciprocal responsibility. The enterprise is responsible to the state and, conversely, the state is responsible to the enterprise. If the so-called socio-economic main body acts irresponsibly toward the operation body of the enterprise, brags, speaks empty words, blindly issues directives, or give orders for "high targets," then in the end this will bring about an imbalance in the national economy. Once a proportionate imbalance appears in the macroeconomy, then all the autonomous power of the joint body of enterprise labor will amount to nothing and may even result in production in the enterprise hardly being able to be maintained.

2) The reciprocal relations between the levels of the joint body of enterprise labor are independent commodity relations of exchange at equal value. The enterprise is the producer and deals in the exchange of commodities. The theoretical basis of Stalin's theory of commodity production is the ownership structure of the means of production. Here, it recognizes that only exchange between state-run economy and collective economy constitutes commodity exchange and does not recognize that exchange within state-run economy itself also constitutes commodity exchange. In his opinion, means of production belong to the state and the state cannot engage in commodity exchange with itself, or buy and sell with itself. Therefore, means of production cannot be considered as commodities. He recognized only joint labor and distribution according to work within the social sphere and refused to recognize joint labor and distribution according to work within the sphere of the enterprise. In brief, it was on this theoretical basis that Stalin propounded the thesis of the "outer crust" of commodity.

Taking a composite view of the relations between the state and the enterprise and between the enterprises, invariably we come to the following conclusions: 1) Commodities dealt with in exchange between state-run enterprises are not the "outer crust" of commodities but are in reality commodities, and production engaged in by state-run enterprises is production of commodities. 2) Viewed from the standpoint of the relations between the enterprises and the state, socialist state-run enterprises are not entirely independent producers of commodities but are, relatively speaking, producers of commodities. 3) What are the similarities and differences between socialist commodity production and capitalist commodity production? In my opinion, concerning the relations of production, there are at least two points of difference. First, in socialist commodity production, labor is not a commodity and the factor of exploitation has been eliminated. In capitalist commodity production, the basis is the hiring of labor and here the exploitation factor exists. Second, in socialist commodity production, social regulation is consciously carried out, and this includes the conscious utilization of planned regulation and regulation by market mechanism and various kinds of economic levers. This type of conscious social regulation enables socialist commodity production to liberate itself from the state of anarchy in production. On the other hand, capitalist commodity production exists in the midst of the contradiction between the private ownership of the means of production and production's state of transition to socialization. It cannot be liberated from the state of anarchy in production, nor from economic crises of a recurring and periodic nature.

2. Theory of Planned Economy.

Generally it has been stated that our country is carrying out planned economy on the basis of the public ownership system. Putting it this way is, naturally, correct. However, we cannot refer to the public ownership system in a general sense, but should go a step further and say: The internal structure of the system of ownership by the state is the "syndication" of the state. If there is no joint labor or distribution according to work within the social sphere, then the condition for the practice of planned economy does not exist.

In their past historical stages, both socialism and communism have carried out planned economy. Is there any difference in the quality of their planned economy in these past historical stages? I believe that there is. The disbelief in the existence of a difference in quality between socialist planned economy and communist planned economy is in effect the basis of "leftist" theories in the economic system. But wherein is the difference? The difference is as follows: A socialist society practices planned economy of commodity production whereas a communist society practices planned economy of production of products or articles. In the past, we overlooked the difference between the two and have thus suffered greatly. We must never forget this historical lesson.

The theory of the state exercising economic functions is an exceedingly important constituent part of the theory of planned economy. And what is the theoretical basis for the state to exercise economic functions?

In my opinion, the theoretical basis for the state to exercise economic functions is the theory of the internal structure of the system of ownership by the nation, that is to say, the theory of the existence of two layers or levels of joint labor and distribution according to work. "Syndication" of the state, that is, joint labor and distribution according to work within the social sphere, turns society into an economic center and a social economic central organ for the handling of labor and the means of production. This is the theoretical basis for society to exercise economic functions.

According to Marxism, the state is a tool for one class to oppress another class, the original idea being that the state does not possess any economic functions. The state's economic functions which we talk about now refer to the economic functions of the social structure which the state exercises on its behalf. This is because only the state can represent the social structure. In the future, when the state disappears from the scene but society continues to exist, then the socio-economic functions originally exercised by the state will revert to the social structure and the social economic center will directly exercise the economic functions. In my opinion, the state's economic functions belong to an economic category of a transitional nature.

3. Theory of the Relations Between Commodity Production and Planned Economy.

The theoretical pillar of support for the new-type Chinese-style economic system is that in a socialist society commodity production and planned economy are unified.

Capitalist commodity production contradicts planned economy, the reason being the contradiction between possession by private individuals and socialization of production emerging from the capitalist private ownership system. Commodity production in a capitalist society is socialized large-scale production with division of work a relatively developed form. Its intrinsic character requires the actual practice of conscious social regulation, but the capitalist private ownership system does not permit the carrying out of this form of conscious social regulation. The alternative is for the government of the capitalist class to exercise, within prescribed limits, intervention over the economic activities of the capitalist blocs.

Socialist commodity production is socialized production with division of work as the basis. In its essence, it objectively requires conscious social regulation and the use of the planned economy system to regulate the contradiction between labor performed by individual producers and social labor. For its part, a socialist state can, by means of the use of the system of the public ownership of the means of production under the leadership of state-run economy, completely carry out this conscious social regulation.

Since in the internal structure of ownership by the nation there exist two layers, namely, "syndication" of the state and "syndication" of the enterprise, that is, the layer of joint labor and division of work within the limits of the social structure and the layer of joint labor and division of work within the limits of the enterprise, then planned economy of the socialist stage will naturally stand solidly in the field of commodity production, regulate the progress of socialist commodity production, and fully display the superior character of socialist commodity production promoting the rapid development of the social productive force.

NATIONAL POLICY AND ISSUES

SERVICES AS PRODUCTIVE LABOR DISCUSSED

HK301403 Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 83 pp 24-37

[Article by Yu Guangyuan [0060 0342 6678]: "Should Services Be Included in the Statistics of the Results of Social Production?"]

[Text] I think economists and statisticians should rather thoroughly study this question, draw conclusions about it, and practically apply these conclusions in statistical work. This task is of positive significance to our country's socialist economic construction. Moreover, it will promote the launching of the study of certain theoretical questions and help enrich our economic science and statistical science.

There have always been different views on this question. During the past year, it was once again raised by the scholars of our country when they discussed a concept in political economics, namely, productive labor under the socialist system. In the winter of 1979 I wrote an article entitled "Productive Labor and Nonproductive Labor Under the Socialist System," which was published in the 1980 No 1 issue of Xiamen University's journal ZHONGGUO JINGJI WENTI [ECONOMIC QUESTIONS OF CHINA]. Later, some comrades wrote some articles expounding viewpoints that were relatively close to those in my article. In the light of the articles written by me and those comrades, Comrade Sun Yefang published in the 1981 No 8 issue of JINGJI YANJIU an article entitled "A Discussion of Productive Labor and Nonproductive Labor, National Income and GNP," in which he put forth some critical views about the viewpoints in the several articles mentioned above. Comrade Sun Yefang and I are in the same profession as well as being good friends. In the majority of cases, our views on various questions are identical and we are on very agreeable terms. However, sometimes our views on certain questions differ and we have heated debates. Among the questions of political economics, one is as follows: Under the socialist system, should productive labor include only that category of labor which produces material products, or should productive labor also include that category of labor which produces services that can satisfy society's material and cultural needs? The meaning is the same if this is posed as the following question in statistics: Should the statistical indicator which represents the overall results of a country's (or region's) social production in a specified time interval (say a year) include those services which can satisfy society's material and cultural needs? Comrade Sun Yefang and I had not argued about this question in the past,

and I did not know his viewpoint about it. It was only after the publication of my article that I knew we were on opposite sides and we would have a debate.

Although we sometimes have very sharp debates, our friendship has never been thus impaired. Moreover, we both advocate that in academic circles, there should be a habit of open contention and people should be criticized by name. We believe that named criticism is better than unnamed criticism, because named criticism requires he who criticizes to make well-grounded criticisms and not to quote anything out of context, while the one who is criticized can furnish explanations or make counter-criticisms. If criticism is unnamed, one who is criticized cannot accurately judge whether the criticism is directed at oneself, and therefore does not feel justified to further explain one's own viewpoints openly. This is disadvantageous to the launching of academic discussions. Thus, more than half a year after the publication of our articles in journals, at a forum on our party's work on the ideological front, Comrade Sun Yefang talked to me about the exchange of named criticisms between us on certain questions, and proposed that we have a debate in the first place about the questions of productive labor and nonproductive labor. Naturally I was very glad to have such a debate. Therefore, we reached an agreement.

This debate involves many questions, one of which being the question of how to interpret the expositions on productive labor and nonproductive labor in Marx's works. (The majority of these expositions, aside from those found in "Das Kapital," are contained in manuscripts and notes.) In discussing various questions, we Marxists often quote important Marxist works to add force to our arguments. This is natural. I also did so when I wrote the article: "Productive Labor and Nonproductive Labor Under the Socialist System." Moreover, to consolidate my own understanding of Marx's expositions on productive and nonproductive labor, I also wrote some reading notes about my interpretation of these expositions of Marx, which were published in the 1980 No 2 issue of ZHONGGUO JINGJI WENTI. Marx wrote many expositions on the theoretical question of productive and nonproductive labor. There have always been different interpretations of the intrinsic meaning of these expositions as well as Marx's basic theoretical viewpoints about productive labor. In the current debate, several comrades, including Comrade Sun Yefang, agree with some of my views, but do not agree with others, the principal one being that from Marx's works, I discover that Marx maintained that productive labor not only includes labor which creates surplus value for the benefit of capitalists by producing material products, but also includes labor which creates surplus value for the capitalists by furnishing various services. Some comrades have rigorously and diligently studied Marx's economic works before they write articles to argue with me. However, I do not completely agree with their views. I think that if we quote Marx's words, we must accurately interpret their original meaning and continue to discuss and clarify the original meaning in Marx's expositions. However, I do not want to discuss this point in this article, but I will write another article discussing it. The reason is that rigorous textual research should not be avoided in writing articles which aim to clarify the original meanings in Marx's works. This is incompatible with the title of this article.

Moreover, I have written such an article which was published in the 199th issue of ZHONGGUO JINGJI WENTI. If I want to write another article of this kind, I must collect more information. This is one reason. However, what is more important, I believe that the question of productive labor and nonproductive labor under socialism, or the question of whether the fruits of the production of services by sectors which serve production, and sectors which serve the needs of personal consumption, should be included in statistical indicators which represent the overall results of social production, is a new issue arising from historical development. In resolving such a question, the most important thing is not the citing of proofs from classical works, but the scientific analysis of the question itself, that is, the subject of study itself. I think that my views do not necessarily need the support of quotations from Marx. Therefore, I wish to put off the discussion about interpreting Marx's works until later.

What I have said above is just an introduction. Now we are going to have a real discussion of our subject.

First, I would raise some questions: What is the scientific significance of the current discussion of this question by the economists and statisticians of our country, and how will this discussion affect our country's actual economic work? I hope that in discussing these questions, I can clearly explain the aim of discussing them and also clearly express my views on the theme of our subject, the scope of discussion, and the focus of contention. I think that we do not hold discussions for their own sake. The aim of discussion is to solve problems and strive for positive results. To achieve this effectively, it is necessary to understand clearly the aim, scope, and focus of discussion. I will first present my views about this point and let the comrades see whether they agree.

Second, I will discuss the questions in productive labor theory arising from the development in social division of labor over the past 100 years or more due to the upgrading of productive forces. If we say that previously our main topic of discussion was the inevitable emergence of questions in productive labor theory in the course of development from capitalism to socialism, then what we will discuss here is another category of questions. What should be our attitude to these questions? Must we let the historical development over the past 100 years or more be reflected in theoretical questions concerning productive labor? If we must, how should it be reflected? I think that these are the central questions of our current discussion, which I mentioned in my previous articles but did not explain very clearly, and which I wish to clarify in a further discussion of this subject with Comrade Sun Yefang.

Lastly, I wish to discuss some theoretical difficulties encountered by both of us. When I wrote the previous article, I felt there were some unresolved theoretical difficulties. Thoroughness is a requirement of theoretical research. A theory will not be consistent if it lacks thoroughness. However, in logically extending the theory which I think I should adhere to, I feel that some conclusions are not very acceptable. This difficulty was not very satisfactorily resolved when I wrote the first article in 1979.

I hope there will be some progress in resolving it in this article. As to those holding the opposite view in the current discussion, I feel that they encounter more difficulties than I. In this part of my article I wish to reveal the main difficulties. I think that in our discussion, a reflection of the realistic attitude is that we should admit the theoretical difficulties we encounter. Such difficulties are common in study. Why should we pretend that our expositions are absolutely mature and unassailable whenever we write articles?

Having depicted a rough outline of my article, I will now present my views according the theme of development of ideas in this outline.

Now let us first discuss the significance of our study of the subject.

Suppose we accepted the following proposition: The meaning of a term is, after all, defined by people; therefore, people may assign one meaning or another to a term. For example, if we defined productive labor as "labor which produces material products," then other categories of labor would definitely be nonproductive labor, and there would be no room for argument. Conversely, if we defined productive labor as "all labor that can satisfy the needs of social consumption," then to think that productive labor includes only labor which produces material products would naturally be incompatible with this definition. If we thought that we could answer the question of what is productive labor in various arbitrary ways, if we considered the question in this way, then the discussion of our subject would be of no scientific significance at all.

In the paragraph above, I repeatedly used terms such as "if" and "suppose." My point is that actually, no one would say in one's articles that the concept of productive labor might be defined in various arbitrary ways. However, the writers of several articles stressed that the way in which the theoretical question of productive labor is resolved would affect the use of statistical indicators, which would in turn affect actual economic work. For example, I said: "We have not adequately paid attention to commerce and the service trades as we should. In our economic management, we merely want to fulfill the target for the total value of industrial and agricultural output; whereas considering the labor expended in the realms of commerce and the service trades, aside from the production of those material resources used by these trades, the fruits of that category of labor in the nature of services are not reflected in the value of output at all. Over many years, in the cities, despite the development of production, the number of units in the commercial and service trade network has not increased, but has conversely greatly decreased." (In his article, Comrade Sun Yefang made the following criticism: "Comrade Yu Guangyuan even attributed the decrease in the number of commercial units in the 'Great Cultural Revolution' to not counting commercial labor as productive labor in 'national income' as a statistical indicator. This is really an 'unjust verdict in the theoretical arena,' because our statistical indicators have always regarded the commercial sector as a sector of material production..." In fact, he misread "the total value of industrial and agricultural output" in my article as "national income.") In Comrade Sun Yefang's

article, after depicting the basic viewpoints contained in several articles he had read, and after stating his own basic stand, he began his discussion with this utilitarian question.

Comrade Sun Yefang did not agree with the articles of Luo Yichen [5012 3204 1057] and Shi Zongquan [2457 1350 0356], which were published in the Shanghai WEN HUI BAO. These two comrades hold that the labor expended in the realms of science, education, cultural undertakings, medical and health services and the service trades should be considered as productive labor, and that this would be advantageous to the development of these sectors, which actually occupy a high relative share in the national economies of developed countries. Comrade Sun Yefang holds that these sectors occupy a high relative share in the developed countries' national economy because in these countries, labor productivity is very high in the sectors of production of material resources; whereas "in our country, which is a big one with a population of 1 billion, labor productivity is very low in the sector of material production... Therefore, only less than 10 percent of the labor force can be set aside for 'spiritual production' and the service trades. This is not a question of whether subjectively we pay attention to education, science, literature, art, medical and health services and the service trades. Actually, this is a question of how many people can be supported by our production of material means of livelihood to undertake 'spiritual production!'" In his article, precisely on the basis of this point, Comrade Sun Yefang disagreed with the viewpoint of Comrades Luo and Shi and stated his view: "Precisely because of this, we must pay attention to statistical work and planning concerning material wealth, and ensure the purity of the indicator which reflects the magnitude of the value of material wealth (that is, the indicator of 'national income' or 'net output value' customarily used by us). We must not contaminate it with anything connected with nonmaterial production."

I think that the resolving of the question of whether the labor expended in the sectors of science, education, cultural undertakings, medical and health services and other services should be considered as productive labor must not be based on whether such consideration has good or bad effects on practical economic work. If we consider the question in this way, then, in effect, an activity may be arbitrarily classified either as productive labor or as nonproductive labor, as explained above. I think that although many comrades have discussed now the view on socialist productive labor and nonproductive labor affects practical work, all those who joined this discussion, including Comrade Sun Yefang, do not consider the question mainly from the utilitarian viewpoint. Actually, they consider it from the scientific viewpoint. For the writers of some articles who insist on counting the labor expended in these sectors as productive labor, as Comrade Sun Yefang puts it, "one of their intentions is merely to call on all of us to pay attention to science, education, cultural undertakings, medical and health services and all other service trades." I think this statement is compatible with facts. Moreover, I think that so long as this kind of "insistence" has a scientific basis, attaching importance to the effects of our discussion on practical economic work should be said to be correct.

Therefore, I think that if Comrade Sun Yefang pays attention to the question of utilitarianism in his article, we might as well have some more discussion on this question.

In the foregoing quotation from Comrade Sun Yefang, he discussed the level of labor productivity in the sector of production of material resources and what proportion of the labor force in society can be available for undertaking activities outside the sector of production of material resources. I think his viewpoint in this connection is undoubtedly correct. Everyone would have the same view on this question. Even those comrades who hold that productive labor should also include that category of labor not belonging to the sector of production of material resources but belonging to the sectors of science, education, cultural undertakings, medical and health services and the service trades, would also agree that the production of material resources is the basis of the entire social life. However, Comrade Sun Yefang holds that the cause of the small relative share of these sectors in our country "is not a question of whether subjectively we pay attention to education, science, literature, art, medical and health services and the service trades." I do not agree with this view, because whether we pay attention to the development of these sectors does have an effect. At present, in our country, while labor productivity is low in the sector of production of material resources, it is impossible for the relative share of these sectors to reach a level comparable to that prevailing in developed countries. However, it is possible to pay attention to these sectors and enable them to enjoy greater development. For example, at present, a considerable proportion of our labor force can switch to the service trades. It is not true that this part of the labor force cannot be made available just because labor productivity is low in the sector of material production. Therefore, to a very great extent, the low relative share of these sectors is due to not adequately paying attention to developing these sectors. If there is any correlation at all between this matter and the low labor productivity in the sector of production of material resources, it is because the low labor productivity results in a lack of houses, facilities and so on that are needed by the workers, so that they are unable to work in these sectors; or because the low labor productivity makes it impossible for society to provide them with larger quantities of means of subsistence which are due to them if they are employed by these sectors. However, this does not constitute a reason for the impossibility of developing these sectors.

In our country, if an activity is regarded as productive labor, greater importance will be paid to it; while if it is regarded as nonproductive labor, it may be despised in some ways. This is an objective fact which really exists. For example, over a period of time in the past, the labor of those personnel of factories who do scientific research, design work, and so on was regarded as nonproductive labor. Therefore, in discussions of the proportional relationships between various categories of staff members and workers in factories, there were frequent demands for reducing the numbers of these "nonproductive workers." Over the past few years, there have been great changes in public opinion. However, we cannot say that this problem has been completely solved. Therefore, I think that

under this condition, if the labor in these sectors is clearly defined as productive labor, this would be advantageous to the development of these sectors.

Comrade Sun Yefang said that "the reduction in the number of commercial units is related to the natural economy mentality of the feudal agricultural society, characterized by attaching importance to agriculture at the expense of commerce." He held that this is "a view of social division of labor and the service trades originating in the natural economy and the theory of non-circulation." I think this view of his is not necessarily compatible with the factual things which have happened in our country. Everyone knows that in many cities, including Beijing, the drastic dwindling of commerce and the service trades has occurred under the slogan of "turning the consuming cities into producing cities." The commercial personnel's not feeling at ease at work is closely related to not clearly classifying them as part of the working class. I do not wish to completely negate the point that the mentality of despising circulation has some effect on the dwindling of the commercial network. However, if, as according to Comrade Sun Yefang, this phenomenon is said to be "unrelated to the planning and statistical department principle of dividing labor into productive labor and nonproductive labor," this is probably an example of putting things in absolute terms. It seems that there is no "unjust verdict" over this matter.

Of course, if we want to make people pay attention to these sectors, it is not absolutely necessary to affirm that the labor of these sectors is productive labor, because the view that only acknowledges the importance of production at the expense of other economic activities is intrinsically a one-sided view which reflects ignorance. Therefore, we should educate people who hold this view to enable them to know that each category of economic activity has its own significance, that all kinds of economic work constitute an entity and various types of work must be flexibly integrated, that we should not attach special importance to some parts of a machine at the expense of other parts, and that it is not necessary to indicate the importance of some particular economic activity by saying that it is productive labor. The practice of attaching importance to some kind of work only if it is affirmed as productive labor is a phenomenon which exists only before people's one-sided understanding of this kind is completely eliminated. However, this phenomenon still exists today.

We can also raise other questions of utilitarianism aside from this one. For example, indicators which include services in the overall results of social production can more satisfactorily help assess the extent of satisfaction of society's consumption needs, because the satisfaction of people's needs not only requires the use of material products, but also requires the services produced by the sectors of nonmaterial production. For example, a healthy man needs many personal consumer goods which satisfy his needs for eating, clothing himself and using daily goods, whereas a patient most badly needs medical treatment and attention. Even a healthy person needs services to satisfy some of his needs. Therefore, in measuring the extent to which all social needs are satisfied, it is advantageous to include services in those indicators which we use to represent the overall results of social production.

However, Comrade Sun Yefang views this question from another angle. He holds that the indicators of the overall results of social production must include only the results of production of material products. (In judging from the several sentences quoted from his article, his reason is that the production of material resources is the basis of "spiritual production" and "the service trades.") He thinks this is advantageous to "attaching importance to statistical and planning work concerning material wealth." It is very difficult to understand this reasoning of his. People could interpret his explanation as saying that once the work of the sector of production of material resources is well done, the work of other sectors would naturally be well done too. This kind of logic is really difficult to understand.

In our studies, the discussion of the practical significance of this question, that is, its utilitarian aspect, is in nature a discussion of a subsidiary question, not the real question itself. The real question is: Is there any objective criterion governing the concept of productive labor under the socialist system? If there is, what is it? If we affirm that there is an objective criterion governing this concept, our discussion will have scientific significance.

In considering the scientific significance of the discussion of this question, we would very naturally recall that Marx paid attention to the theoretical question of productive labor under capitalism. In my other article, I proved on the evidence of the plan of Marx's works and his manuscripts that Marx attached equal importance to the theory of productive labor and the theory of surplus value. In the current discussion, the comrades who argue with me have not expressed any disagreement over this view of mine. Before Marx, many bourgeois economists had expressed many viewpoints about the question of capitalist productive labor. Marx held that the criticism of these viewpoints could serve as some important ideological material for explaining his own viewpoints. However, the core of the fruits of Marx's study of the capitalist economy is the theory of surplus value. Marx's theory of productive labor is closely related to his theory of surplus value, and can even be said to be another way of expressing that theory. Strictly speaking, Marx's theory of productive labor is a form of expression of his theory of surplus value. A great many of the expositions in Volume 4 of Marx's "Das Kapital" can be said to proceed from such a line of development, judging from their aim. In the works published later before Marx's death, including Volume 1 of "Das Kapital," the question of productive labor under the capitalist system was not stressed. An explanation is that because the basis of the theory of surplus value was already clearly explained in "Das Kapital," it was not necessary to have a great deal of discussion about the theory of productive labor. Nevertheless, in Volume 1 of "Das Kapital," Marx still concisely presented the viewpoints of his theory of productive labor. In Marx's economic theories, the theory of productive labor is a constituent part of his theory on the questions of the nature and the aim of capitalist production. The fact that Marx paid such great attention to the theory of productive labor inspired me to consider whether the theory of productive labor under the socialist system can have such an important position as Marx's theory of

capitalist productive labor. Now the aim of production under socialism is to satisfy society's ever-increasing material and cultural needs and not the production of surplus value. Nevertheless, under socialism, the production of commodities still exists, and hence value also exists. However, the nature of socialist production must be judged from the stand of the entire society. Therefore, basically, socialist production is the production of use value, and not the production of surplus value or value. The production of value under socialism is of a subsidiary nature. Therefore, if we say that Marx gave so many expositions on the question of productive labor just because he wanted to explain from various angles his viewpoints on the nature of capitalist production, then, I think we should explain this very nature of socialist production through a study of the theoretical question of productive labor and nonproductive labor under socialism.

It seems that Comrade Sun Yefang did not pay any attention at all to what I consider a key question. In his thinking about the socialist economy, he pays greater attention to the production of value, whereas in mine, I pay greater attention to the production of use value. Although he does not neglect use value and I also do not neglect value, however, we have always argued about the relationship between use value and value in the socialist economy. On the question of productive labor and nonproductive labor under socialism, I affirm the production of services as productive labor, not because services also have a value, but because they can satisfy certain consumption needs of society, and because they constitute a use value. Some comrades do not agree to the view that they "also have a value." When I proved that services also have a value by quoting Marx, some comrades said that I did not correctly understand what Marx really meant. I have mentioned above that I intend to discuss this question in another article. I only wish to say here that whether services have a value or not is not an important question from my theoretical viewpoint. So long as services have a use value, they should be included in the overall results of social production.

At this point, some people would query: Are not GNP, national income, and the total value of industrial and agricultural output indicators of the magnitude of value? Could anything that did not have a value be included in them? Actually, what GNP, national income, or the total value of industrial and agricultural output indicates is not value. Comrade Sun Yefang says that they are "indicators of the magnitude of the value of material wealth." (Of course, Comrade Sun Yefang would exclude the indicator of GNP. However, I think that even if something else is included in this indicator, material wealth still constitutes a major part of it.) I think that the necessary correction is that they are not indicators of the magnitude of value, but are indicators of material wealth in terms of price. The quantity of anything that has a price can be expressed in terms of price in statistics. For this reason, when we want to give a concise overall expression of the quantities of use value in the entire society, we are forced to give up using a colossal statistical table containing the quantities of various categories of products and services, and we must use various statistical indicators in terms of sum totals of

various prices. To compare the quantitative results of two country's social production, or to compare the results of a country's social production in two different periods, it is necessary to use statistical data of these indicators, calculated on the basis of constant prices. This shows that they represent use value, not value.

Therefore, the question of requiring statistical indicators to accurately reflect the value of various products and services does not exist here, because the use of such indicators is for the sake of approximately representing the quantities of products and services, and this is not directly related to the extent to which prices approach value. For example, suppose the price of a product is above its value, while that of another product is below its value. If the quantities of their output increase by 100 percent simultaneously, their prices will both increase by 100 percent also. Therefore, so long as the composition of products does not change, the increase or decrease in these statistical indicators precisely reflects the increase or decrease in the output of products, and is not related to whether the price of a certain product approaches its value.

Therefore, those who hold that services should be counted in those indicators which reflect the overall results of social production do not particularly pay attention to whether the prices of services approach the quantities of socially necessary labor expended in producing the services.

Those who advocate including services in the indicators of the overall results of social production hold that such inclusion is to acknowledge the role of services in the national economy, and thus to give greater encouragement to those who work in the production of services, without having to accurately appraise the fruits of their work. Comrade Sun Yefang holds that we must not judge the contributions of scientists, educationists, writers, artists and doctors by their economic income, and that it is impossible to judge the contributions of Copernicus, Newton, Darwin, and, in particular, Marx, by their economic income. I absolutely agree with this view of this. However, this cannot constitute a reason for objecting to "treating the wages of the workers and staff in the sectors of nonmaterial production, such as the sectors of science, education, cultural undertakings, medical and health services, and so on, as part of our national income, and including such wages in our GNP, as suggested by those who advocate a broad definition of productive labor." Comrade Sun Yefang holds that the contributions of scientists and so on "belong to the realm of use value." I absolutely agree with this view. He says their remuneration "belongs to the realm of value." I also agree. However, the method used in practice, that of expressing value in terms of prices, is criticized by Comrade Sun Yefang as "confusing value and use value." I absolutely disagree with this view. Actually, the basic idea behind the construction of the indicators in question is to reflect use value by means of prices (which naturally belongs to the realm of value). If we completely separate the realm of value from the realm of use value, we basically negate the existence of the indicators in question.

Therefore, here, the question of "shifting from the Marxist theory of labor value to utilitarian viewpoints" does not exist.

Here I want to give some more expositions about the following indicators: The total value of industrial and agricultural output, national income, and GNP.

I think that all statistical indicators are not absolutely consistent with categories in economics, because statistical indicators are something designed by people to reflect real economic conditions and to serve as goals of people's endeavors, whereas the latter are scientific abstractions derived by summing up the facts of real economic life. Statistical indicators are not theoretical categories which embody really clearly defined concepts. The questions of what they can or cannot reflect, to what extent something can be reflected by them, what are the shortcomings of using them to express what we want to express, and so on, are sometimes clarified when they are initially designed on the basis of theoretical sciences, but sometimes can be clarified only through theoretical economic analysis. Moreover, stability and conservativeness are some characteristics of statistical indicators, because if we want to use them to compare the present with the past and compare our country with other countries, we must inevitably use those indicators which have been used in the past and which are used by other countries. Moreover, the use or amendment of a statistical indicator entails careful consideration of practical work and meticulous organization and training work. Therefore, changes must not be introduced lightly. Thus, it is even more necessary to conduct a theoretical economic analysis of various statistical indicators which we must use.

The defects of the total value of industrial and agricultural output as a reflection of the overall results of social production are most obvious, because it even fails to completely reflect the fruits of the work of the sectors of material production. For example, it is absolutely doubtless that the construction industry is a sector which produces material resources. However, it is not taken into account in the statistical work related to this indicator. Moreover, double counting is a disadvantage to the reflection of the results of social production, because not only will differences and changes in the composition of products lead to inaccuracy in using this indicator for making comparisons, but even a change in the organizational composition of enterprises will also lead to a change in the numerical value of this indicator despite the absence of any real change in the results of social production.

Among various indicators of the results of social production, I pay great attention to national income. It not only includes the results of the activities of the construction industry, but also includes those of the communications and transportation industry. According to my classification of the national economic sectors, the communications and transportation industry is both a sector which serves production (when it serves the production of material resources or the production of services) and a sector which serves consumption (when it directly provides services needed by consumers). That is, national income as an indicator not only includes

the results of the work of the sectors which produce material resources, but also includes those of the sectors which produce services. This is absolutely correct. As to commerce, we all know that in a strict sense, commerce belongs to the category of exchange, not production. However, actual commercial activities include activities which belong to the production process, such as transportation, breaking up an entire lot of goods into many small packages for retailing, and so on. Moreover, commercial activities often include the provision of certain categories of services for consumers. Furthermore, in our country's economic organization, many categories of productive work are undertaken by commercial sectors. In commercial statistics, it is rather difficult to separate the results of the production of material resources and services from the results of the activities of commerce in its narrow sense, that is, the results of carrying out the mere function of exchange. Therefore, I think it is very appropriate to include all commercial income in national income, an indicator of the overall results of social production. My discussion is based on the content of that definition of national income which is adopted by our country (and also some other countries, for example, the Soviet Union). The meaning of national income in some works on economics published in the West differs from the meaning of national income used in our country's statistical work. In the book "Economics" written by the American bourgeois economist Samuelson, it is stated: "What is national income? It is the loose name we give to the money measure of the overall annual flow of goods and services in an economy. Often, instead of it, we use the almost equivalent precise term 'national product' or 'net national product.'" Thus, in capitalist countries, the national product used in their statistical work, which they say is equivalent to national income, has a broader definition than the national income used as an indicator in our country's statistical work. The national income (or, more precisely, national product) used in statistical work in the West includes services, whereas national income as an indicator used in our country's statistical work does not include the results of the production of services. Therefore, if Comrade Sun Yefang wants to criticize the capitalist countries' statistical ideology, he should not only criticize "GNP," but must also criticize the statistical indicators of "national product" or "net national product (NNP)," which bourgeois economists like Samuelson say is equivalent to "national income."

My overall view of these statistical indicators which are used in capitalist countries is that they are something designed by bourgeois economists and statisticians according to their economic and statististic theories. Naturally, the reason behind their design of such indicators and the successful application of these indicators is that these indicators relatively satisfactorily comply with the needs of the bourgeoisie. For example, in their "net national product," the activities of lawyers, policemen, military personnel and so on in capitalist countries are viewed as services similar in nature to hairdressing, medical service and so on. This is an attempt to obliterate the class nature of the activities of lawyers, policemen, military personnel and so on, which serve to maintain the system of capitalist exploitation. We do not acknowledge them as productive labor under capitalism because they do not create surplus value

for capitalists, whereas under capitalism, only labor which creates surplus value for capitalists can be said to be productive labor. I think it is hardly convincing to consider the activities of lawyers, policemen and military personnel as similar in nature to those of hairdressers, scavengers, and construction workers who cut into mountains and build roads.

Therefore, I think that in viewing net national product as a statistical indicator used by the bourgeoisie, what we Marxists should reject is not that it affirmatively includes services in general, but that it confuses some categories of services which differ in nature. Here, the word nature refers to whether some kind of activity in capitalism creates surplus value for capitalists, and is not related to whether the period under consideration is one in which capitalism promotes the development of the productive forces or one in which it hinders their development.

Therefore, I still hold that the exclusion of services from national income as an indicator used in our country's statistical work is a shortcoming. It would be most suitable to include the results of production of services in our statistical work. Nevertheless, even if services are not included in national income, I would still advocate vigorous promotion of the use of "national income" as an indicator. Moreover, I hope that "national income" or "net output" will one day replace today's "total value of industrial and agricultural output." I think if our work can develop to such a stage, it will be very great progress.

As to "GNP," its meaning differs from "net national product" on only one point, namely, the depreciation of capital equipment and buildings is not deducted. GNP is an indicator which is more widely used than net national product. The only reason is that it is difficult to estimate the depreciation of capital equipment and buildings. Therefore, the capitalist countries and the United Nations resolved to calculate in the first place the value of products and services at market prices and also the consumption of material resources other than depreciation costs, before calculating "net national product." Thus, the statistical indicator of "GNP" can be published at an early time and is consequently more extensively used. In principle, it is not different from net national product (or, according to some expositions in bourgeois economics, "net national income at market prices").

Among the three statistical indicators of the results of social production mentioned above, the total value of industrial and agricultural output is not used by capitalist countries. However, it is the principal indicator used by our country. The use of this indicator should be said to be still necessary today. The reasons are: the broad masses of cadres are familiar with this indicator; the calculation of this indicator is most convenient; if the use of another indicator is decided upon, it can be implemented on an extensive scale only after several years' education; and, moreover, even now, our scholars have not yet arrived at a unanimous view on what indicators should be used in theory; today they are still arguing about some basic questions and no one has ever put forth any scheme. As to net national product, GNP and so on, they are the indicators used in other

countries, mainly those in the West. Because we have to compare ourselves with those countries and because we have dealings with the United Nations, we are now using these indicators, though we do not use them in planning our domestic production. I do not think that we must directly use them in our domestic economic work. We should design some indicators which are most appropriate for our country, which should include many services that should be included. At present, the indicators mentioned above are mainly used for making comparisons between our country and other countries. The concept of national income in Marxist economics is most highly compatible with the concept of the overall results of social production. However, the various concepts of national income used in statistical work by the Soviet Union, by our country, and by the West have their own defects which make them unable to reflect the theoretical concept of national income more satisfactorily. Although a statistical indicator cannot be absolutely consistent with a theoretical concept, the former can nevertheless become more consistent with the latter. To sum up, on the question of statistical indicators, various indicators must be simultaneously used at present, and, from the long-term point of view, theoretical questions of principle must be resolved in certain ways through study and discussion, and then we can start to discuss plans for solving the problem.

I am called an advocate of the broad definition of productive labor by Comrade Sun Yefang. He says: "The theory of those who advocate the broad definition of productive labor cannot be established because first, it confuses material things and spiritual things, the economic base and the superstructure; second, it confuses primary distribution and redistribution, production and consumption; third, it confuses the main body (workers) and the object (products) of the production process; and fourth, it confuses value and use value, cost and utility, the value of the labor force and the value created by labor." Then he went on to criticize "GNP, the economic indicator based on these four categories of confusion." Comrade Sun Yefang thus equates those in our country who advocate the broad definition of productive labor with those in capitalist countries who designed the indicator of "GNP." I have in fact made some explanation about this kind of "confusion" in the foregoing paragraphs when I discussed my attitude toward this indicator, and here I hold the discussion of this question for the time being. Let us just analyze on the basis of the views expressed by ourselves whether the four categories of confusion criticized by him exist.

First, does an "advocate of the broad definition of productive labor" like me confuse material things and spiritual things, the economic base and the superstructure? Probably, the point in question here is that the "advocates of the broad definition of productive labor" hold that the labor of scientists, writers, artists and educationists should be considered as productive labor. Because the fruits of these professional people's activities are spiritual things, but I consider such activities as production, whereas in Comrade Sun Yefang's view productive activities can only be the production of material resources, therefore, to consider those activities as productive labor was said to be confusion of material things and spiritual things. In my view, the classification of man's labor into physical labor and mental labor is intrinsically only a kind of scientific

abstraction. In real life, when a man works, he usually uses the strength of his body's muscles as well as his mental energies. In production, one must make the effort of "paying attention," and this is one way of using one's mental energies. When one uses one's mental energies, there must be inevitably some kind of spiritual achievement. However, in the work of individual "manual workers," the two kinds of labor are integrated. Thus, the fruits of their mental labor are not reflected independently. Nevertheless, since the development of social division of labor, the following change has occurred: scientific research, design, manufacturing and so on have become independent sectors and the fruits of mental labor have acquired the form of independent "spiritual products." In his article, Comrade Sun Yefang uses the example of the "'triple-flow' theory of the aerodynamics of vane-wheeled machines," which was discovered by a Chinese scientist Wu Zhonghua. This theory was a prerequisite for the manufacturing of the si-bei [2448 6296] by England. Before Wu Zhonghua's discovery found application, it could be acknowledged as an item of spiritual wealth. However, after the manufacturing of the si-bei engine, this engine as a material product embodied Wu Zhonghua's mental labor. In my view, the example of Wu Zhonghua's discovery and the si-bei engine does precisely illustrate what is spiritual production and what is material production and demonstrate the distinction between them, but it also demonstrates the integration of spiritual production and material production and proves that this kind of spiritual production is also productive labor. However, Comrade Sun Yefang says: "This story tells us that the line of distinction between material production and spiritual production must not be confused; otherwise, we will draw seriously wrong conclusions. Those economists who advocate considering the sectors of scientific research, education, cultural undertakings, medical and health services and so on as productive sectors precisely confuse the line of distinction between material production and spiritual production." This argument does not amount to deriving conclusions by analyzing things, but amounts to going back from an available conclusion to make an unrealistic criticism.

I feel that in his long article, Comrade Sun Yefang does touch upon the relationship between social division of labor and the theory of productive labor, but he has drawn a wrong conclusion.

Here I wish to give another example. Suppose a publishing house publishes a novel. The novel written by the novelist is naturally a spiritual thing. However, the book before our eyes is obviously a material thing. Can we say that the writing of the novel by the novelist is nonproductive labor and only the printing worker's labor is productive labor? Probably we cannot say so! The labor inherent in a novel should include the labor expended by the novelist. By saying that the novelist's labor is productive labor, we do not confuse spiritual things and material things, but we both distinguish between these two categories of things and affirm that they are integrated. We thus affirm that the production of such spiritual things is productive labor.

If I affirm that the labor of a natural scientist such as Wu Zhonghua is productive labor, I may only be criticized for confusing material things and spiritual things, without being criticized for confusing the economic base and the superstructure, because generally the natural scientists are

not considered as belonging to the superstructure. However, when I take a novelist as an example, I risk being criticized for confusing the economic base and the superstructure, because art is commonly considered to be part of the superstructure. Of course, if I talk about a philosopher instead of a novelist, the situation would be the same. Can we regard activities in the realm of the superstructure as productive labor? I think in my example the novelist's activities are considered in relation to his role as the writer of the published book, without any reference to the book's content. To draw an analogy, both the production of food and the production of poison are productive labor. We do not affirm that one category of production is productive labor and the other is nonproductive labor just because of the difference between food and poison. Similarly, the novel's content (which belongs to the category of superstructure) is not considered here. Therefore, the question of confusing the economic base and the superstructure also does not exist here.

Second, does an "advocate of the broad definition of productive labor" like me confuse primary distribution and redistribution, production and consumption?

Comrade Sun Yefang wrote several passages on this question. Let us analyze them one by one.

Let us first discuss scientific research agencies, schools, theaters, hospitals, and so on. Comrade Sun Yefang holds that in a socialist country, although these organizations "also charge fees to offset part of their costs, however, as in the case of state organs, the funds for running these organizations and institutions mainly come from financial allocation." Therefore, the income of their workers arises from the redistribution of material wealth created by the sector of material production. In contrast, the superstructure organizations, because such organizations are run in the form of enterprises, "confusion is more likely to arise." Here Comrade Sun Yefang does not analyze the essence of the question, because it is also possible for such organizations to be run in the form of enterprises in a socialist country; moreover, some of them have indeed begun to be run as enterprises. What does Comrade Sun Yefang consider the method whereby the state financial authorities supply the funds for operation, a method generally practiced in socialist countries, as something reflecting the true essence of the question, but consider operation in the form of enterprises as a superficial phenomenon? He does not tell us anything about this. For instance, why can we not consider operation in the form of enterprises as a reflection of the essence of things and on this basis study the nature of the organizations' labor and income? Why can we not consider the supplying of funds by the state to these organizations, as mentioned by Comrade Sun Yefang, as a way in which the state subsidizes the residents' consumption? Precisely because Sun Yefang has made stipulations in the first place about the nature of the production of services by research agencies, schools, theaters and hospitals, he can go on to say that "the taxes and profits turned over to higher authorities" by these sectors "ultimately belong to the redistribution of material wealth, no matter how complicated and

numerous the channels for turning them over are." Proving something which has been assumed in a precondition to be correct is not compatible with the requirements of logical proof.

Aside from these two questions, Sun Yefang says that "those who advocate the broad definition of productive labor" "confuse the main body (workers) and the object (products) of the production process." His ideas about this point can be seen from his comments on a comrade's expositions about the nature of the education sector. That comrade says: "The education sector mainly works to train skilled labor forces. The labor forces themselves also constitute a natural material factor. Judging from its training of labor forces, that is, judging from the production of living machines, the education sector has characteristics similar to those of the first category of sectors in our economy, namely: 1) Its products are a material factor needed by the production process; and 2) the labor expended in producing these products is embodied again in new products through a new production process." Comrade Sun Yefang holds that if so, then "many problems will arise, because the education sector merely serves as a workshop which processes these 'living machines,' but people as 'living machines' are born in maternity hospitals, not schools. Therefore, maternity hospitals can more justifiably be called a sector of material production! At this point, those economists who hold that the sectors of science, education, cultural undertakings, medical and health services and all other service trades are productive sectors, that is, the so-called advocates of the broad definition of productive labor, would say: Doctors' services are actually productive labor, and therefore, maternity hospitals should rightly be considered as a productive sector! However, a further problem would arise: If maternity hospitals are said to be a sector of material production, and if the work of doctors who practice midwifery is said to be productive labor, then, considering the production of human beings as 'living machines,' maternity hospitals are merely comparable to factories' assembly workshops, and they are not the real 'workshops which create products.' Could we really regard activities in 'manufacturing' these 'living machines' as 'productive labor'? If we could, then a new couple's wedding ceremony should be called the opening ceremony of a factory which manufactures 'living machines!'" This argument of Comrade Sun Yefang seems to be very eloquent. However, having carefully studied that comrade's words, I feel that in considering the production of skilled labor forces as the production of material products, he does not thereby confuse the main body and object of labor, because he merely says that educational activities and the production of means of production have two "similar characteristics." In fact, the production of labor forces is an important element in Marx's economic ideology. In "Das Kapital," Marx discussed the value created by the labor forces and the prices of the labor forces, the reproduction and growth of the labor forces, the training of skilled labor forces, and so on. I think what that comrade discusses are simply some similar questions. As to the question of "producing children," Lenin had discussed it in "What Are the People's Friends," a famous book written in his youth. I think it is tenable to classify the work of the education sector as productive labor whether we consider its role of serving the production of material resources or consider it from the satisfaction of the needs of human development.

the fourth question is that "the advocates of the broad definition of productive labor confuse value and use value, cost and utility." We have discussed this point in our discussion of statistical indicators above. Therefore, we will not discuss it any further.

I think that the propositions of the advocates of the broad definition of productive labor are tenable scientifically, but they are not without difficulties. The main difficulty is what social activities must be classified as services which should be said to be included in productive labor, and what social activities must be classified as not belonging to the category of services which are produced and consumed, and not belonging to the category of productive activities or even economic activities. Although economic activities are the most basic social activities or can even be said to constitute the largest proportion of social activities, they are just part of all social activities after all, and social activities also include political and other noneconomic activities. Moreover, among economic activities, aside from direct production, there are also distribution, exchange and consumption, which do not belong to production. Such activities themselves do not belong to productive labor. When we affirm services which can be used for personal consumption as productive labor, we do not consider the question from the angle of consumption; what we consider is the production of these services. Services usually have the following characteristics: Their production and their consumption are unified in time and space, that is, they are continuously produced and also continuously consumed. Nevertheless, their production and their consumption are still different processes, even if the time of production and the time of consumption coincide. (The two times may also differ. For example, in a theatrical performance, the performing of the play is a production process, and the watching of the play is a consumption process. The time from the beginning to the end of the play is both the production time and the consumption time. Thus, the two times coincide. However, when preparation work is done before the performance, the process of producing the play has already begun. However, because the play is not yet watched by the audiences, the process of consuming this play has not begun. Therefore, the time of the production process and the time of the consumption process do not completely coincide.) Considering the example of performing a play, once the curtains of the stage are opened and the actors come into visual contact with the audiences, the actors' activity is a production activity while the audiences' activity is a consumption activity. It is wrong for Comrade Sun Yefang to view these activities simply as a consumption activity. Therefore, pure consumption is naturally not productive labor. Similarly, pure distribution activities or exchange activities are not productive labor either. This is discussed in the context of the economic realm. There are other non-economic social realms. Some activities are not for satisfying what is usually called the residents' material and cultural needs, but are for satisfying, say, certain political needs. We know that the use of material products to satisfy political needs does not affect the proposition that the production of these material products is productive labor. However, if certain activities for satisfying political needs were also counted as productive labor, then productive labor would be something without limits. This is a major difficulty encountered

by those who advocate including services in productive labor. Another way of expressing this problem is: How "broad" should an appropriate definition be?

Those who negate scientific research, education, cultural undertakings, medical and health services and the service trades also encounter a difficulty of the opposite kind, namely, how "narrow" should an appropriate definition be? Even Comrade Sun Yefang says at the end of his article, after having lashed many criticisms against the advocates of the broad definition of productive labor, that he encounters this difficulty. He cannot but acknowledge that "there is relatively much controversy about the classification of productive labor and nonproductive labor, and the question of service trades can be further discussed. Here I refer to those trades which serve the needs of livelihood. As to those sectors which serve production, such as communications and transportation, the supply of goods and materials, the repairing of factory buildings and equipment, and so on, there is no question that the labor of these sectors is productive labor." Thus, what he said earlier to be outside the scope of productive labor is here affirmed by him as productive labor. If he insisted that only the labor which produces material products is productive labor, then his stand would have been consistent and he would not have contradicted himself. Actually, when certain kinds of services such as transportation are performed within a factory, no one would deny that they are productive labor. However, nowadays, with the turning of these services into independent sectors due to the development of social division of labor, how can they suddenly become nonproductive labor? Knowing this point, Comrade Sun Yefang affirms that the labor of those sectors which serve production is productive labor, and he even specifically points out the communications and transportation industry. However, once such labor is affirmed to be productive labor, problems will arise. If the communications and transportation industry is within the scope of productive labor because it serves production, then do design and technical drawing activities not constitute a sector which serves production, and cannot such activities be counted as productive labor? Furthermore, is it not true that prospecting and research work, which makes preparations for designing and cannot be divorced from designing, is a sector serving production, and can it not be considered as productive labor? This kind of work precisely belongs to the scientific sector which Comrade Sun Yefang thinks cannot be considered as providing productive labor. Comrade Sun Yefang also considers the repairing of factory buildings and equipment as a sector which serves production and considers the labor of this sector as productive labor. If so, what about the labor of those occupations which clean factories and provide environmental protection? Thus, to sum up, what has always been classified as not belonging to productive labor in the earlier part of Comrade Sun Yefang's article is now affirmed by him as productive labor. Moreover, in some instances, he has gone very far. For example, here he affirms "the supply of goods and materials" as productive labor. However, I think the question of supply of goods and materials is rather complicated. Activities in the supply of goods and materials can be considered either as something undertaken by distribution agencies or as something undertaken by commercial agencies. Even I myself,

described by Comrade Sun Yefang as an advocate of the broad definition of productive labor, think it necessary to study whether these activities are a kind of productive labor, but Comrade Sun Yefang considers them to be "undoubtedly" a kind of productive labor.

He goes on to say: "Nevertheless, considering the work done by those sectors which serve the needs of livelihood, the situation is also very complicated. We can neither say that all these sectors belong to the category of nonproductive labor nor say that all of them belong to the category of productive labor. For example, the repairing of daily consumer goods extends or restores the life of material wealth, and the catering trade performs the further processing of food. Both occupations belong to the category of productive labor. They are also classified in this way by the statistical department. However, some occupations such as hairdressing, bathhouses, cinemas, hotels and so on are those which consume material wealth. The services performed by the personnel of these occupations only help customers consume material wealth (for example, a hotel's premises and furniture, and so on), and do not increase material wealth." I think this part of his article, where he uses the method of specifically analyzing various daily life services, is better than other parts of his article, where he sweepingly denies that the labor of service trades is productive labor. However, what he calls daily life service occupations actually refers to those sectors which produce material resources but which are termed service trades. For example, actually, the repairing trade and the catering trade differ from the ordinary food processing industry because their labor has a high service content, but Comrade Sun Yefang only relies on the food processing part of the catering trade to affirm that the labor of this trade is productive labor. I think his analysis of occupations like hairdressing and bathhouses is incorrect. He says: "The services performed by the personnel of these occupations...do not increase material wealth." Of course, this is correct, but the word services used here should be replaced by labor, because services themselves constitute a use value different from that of material products. However, as we explained above, it is incorrect for him to say that these occupations are occupations which consume material wealth, because the personnel of these occupations are not themselves consumers. There are consumers, such as those who go to hairdressing houses and bathhouses for hairdressing and bathing, but they are not the personnel of these units or occupations. We must not consider the work of the personnel of the daily-life service occupations as an act of consumption. As to the proposition that these occupations "help customers consume material wealth," if it can be established, then we must analyze the nature of this kind of "help," and after all, we probably cannot consider these kinds of activities as consumption activities. Such activities do not belong to consumption, distribution, or exchange. Among the economic activities of the entire society, do these activities belong to production, distribution, exchange, or consumption? I think after all, they belong to production.

I think there are even more logical difficulties about Comrade Sun Yefang's analysis of the tourist trade. He holds that "we can consider that part of the tourist trade which caters to foreign visitors to China as belonging

to the category of productive labor, because it not only earns foreign exchange for our country, but its activities actually amount to the export of some of our consumer goods, or a kind of foreign trade in disguise. However, our domestic tourist undertakings are purely a kind of consumption." The reasons here are very difficult to understand. Why do those activities actually amount to the export of consumer goods? If this point is valid in the case of catering to foreigners, why can we not say that in domestic tourist undertakings, consumer goods are actually provided to our domestic tourists? Here we cannot find out any difference between foreign and domestic tourists. I think because Comrade Sun Yefang has raised the question of tourism, we should also analyze this trade. In the tourist trade, what can attract visitors can generally be called tourist resources, among which natural scenery has not been changed by labor and does not have a value. It is an objective condition for the development of tourism, but labor must be expended to protect it. Further, we must perform work to change scenic spots, such as by planting trees, building roads, and so on, and there must be cultural facilities, including ancient and modern ones. Furthermore, there must be good living environments and high quality daily-life services which can attract tourists. For example, particularly fresh air, a particularly tranquil environment, delicious tasting indigenous foods that cannot be found elsewhere, particularly comfortable accommodation, and so on, can also be included in tourist resources. The income from the tourist trade is actually nothing but the income from the selling of material products and, in particular, the income from the provision of services, earned by some sectors which are integrated with tourist activities, such as communications and transportation, commerce, the catering trade, the hotel industry, cultural and recreational undertakings, and so on. (Of course, there are also some kinds of income peculiar to the tourist trade, such as couriers' income and income from admission tickets, but these kinds of income are negligible.) Among those sectors, communications and transportation is the sector whose nature with regard to whether it is productive labor or not "can be further discussed," as Comrade Sun Yefang says. If the tourist trade, even if only "that part of it which caters to foreign visitors to China," "can be considered as belonging to the category of productive labor," then the only conclusion is that many sectors can be affirmed as belonging to the category of productive labor, including many sectors which Comrade Sun Yefang excludes from the category of productive labor.

To sum up, when Comrade Sun Yefang specifically discusses whether various occupations belong to the category of productive labor, he adopts a simplistic attitude which he adopted earlier in discussing general principles. This shows that he encounters many difficulties and thinks that these difficulties can be resolved only by considering once again what productive labor is in principle.

At this point, I feel some sort of relief. After all, I have advanced one step forward in doing what Comrade Sun Yefang and I agreed to do. However, I feel that I have not yet considered what I want to discuss in sufficient depth; and as to how to express my ideas, I have not made a sufficiently clear organization and presentation. Moreover, some of my

interpretations of Comrade Sun Yefang's viewpoints may not be accurate or may even be incorrect. I will be glad if Comrade Sun Yefang continues to write articles to exchange views with me. I believe our discussion would also be effective in some ways in affecting the style of academic study, something we hoped to achieve in our agreement.

Postscript

Having read the foregoing things, comrades will understand the reasons for the birth of this article. Here I want to say a few more words.

Last December, having let Comrade Sun Yefang read the draft of this article, I discovered a well preserved note which Comrade Sun Yefang wrote for me to read in 1981 at a forum on the ideological front. There were only a few words on the note: "8 plus 2 equals 10. Let us have some debates and exchange of (named) criticisms between us; let our target be 10 items of them." At this time, I did not pay attention to the meaning of the formula "8 plus 2 equals 10." After re-reading this note, I guessed that he wrote it probably because at that time he counted the number of viewpoints over which we persistently had disagreement and discovered that there were at least eight of them. Moreover, he might have thought that there must be more than eight of them, and so he added two more and thus put forth the target of having 10 questions for our debates. On 17 December, I asked him at the hospital what he had in mind when he wrote that formula. He said he could not remember.

During the year or more after we agreed to hold debates between us, I did not write anything because of various reasons. On 1 (or 2) December last year, when I came back after having been away on official business, I met Comrade Zhou Yang, who told me he had seen Comrade Yefang at the hospital and had discovered that his health was deteriorating very badly, and probably he could only live a few days longer. At that time I felt very upset. I also remembered the agreement between us. Because I had not made good use of my time to write something, I did not then have any article for him, written in fulfillment of our agreement, and this would cause me to have endless regret. Unexpectedly, on 5 December 1982, when I visited him again at the hospital, he was still full of vigor. He was very glad to see me and asked me some questions about the economic situation. This time, though he did not mention our agreement, I kept on planning how to fulfill it. Finally, I decided to start writing as soon as I went home. I had to produce an article at the fastest speed. I hoped he could see my article which would criticize him by name.

At that time, the NPC was in session. I attended the meeting in the daytime and put in extra effort at night to write it. I worked late into the night for five consecutive nights before I could finish my article, which is what comrades have read above. At that time, I clearly knew that I was racing against the god of death which was calling Comrade Yefang. Time did not allow me to write a draft first or to make corrections as I wrote. Therefore, contrary to my habit of writing articles, I tried my best to write the characters clearly stroke by stroke. Whatever sentences I had written

down, I did not correct them any more. My draft was tidier than any other I had written in the past, because I wanted to let Comrade Yefang read clearly. Of course, this brought about another problem, that is, there were few chances for correction and deliberation. I thought that even if there were many mistakes in logic or language, I would not care about them.

When I delivered my article into Comrade Yefang's hands, he was very happy and said he wanted to read it immediately. I knew he should not read such a long draft, so I read aloud the initial part of the article. I decided to read the entire article to him after letting Comrade Zhang Zhuoyuan of the editorial department of JINGJI YANJIU read it. Later, Comrade Zhang Zhuoyuan wrote me a letter, saying: "Comrade Yefang hopes that Comrade Guangyuan will publish the article, 'Should Services Be Included in the Statistics of the Results of Social Production,' so as to promote the discussion of the question of productive labor." This was the view which Comrade Sun Yefang told Zhang Zhuoyuan after Comrade Zhang Zhuoyuan had made known to him the content of my article.

I knew this article of mine was very crude and there were many places in it which could be given further consideration. Moreover, Comrade Yefang also asked me to make a final draft before publishing it. However, I thought that because my article had been sent to Comrade Yefang and he had read the draft, the draft had thus become a token of our friendship, and so I ought not to correct it. Therefore, I only corrected some words or sentences if there were mistakes or omissions and also some passages whose meanings were not clear because of reasons of language. The rest of the article was unchanged.

Regrettably, today, when my article has been published, he can no longer continue to debate with me about this question. Moreover, aside from this question, I should have debated with him over many other questions, on which I should have published my views. Nevertheless, I believe that although he has passed away, there are some comrades who agree with his views. They would certainly take up their pens and debate with me.

After my article entitled "Productive Labor and Nonproductive Labor Under Socialism" was published in the 1981 No 1 issue of ZHONGGUO JINGJI WENTI, aside from Comrade Yefang, some other comrades also published their articles to debate with me. I originally intended to answer all these articles in a single article. This was also one reason why I did not more promptly fulfill the agreement of exchanging named criticisms with Comrade Yefang. While I was writing this article, I only hoped to finish it quickly, and so I did not deal with other comrades' articles. In this connection, I will write some other articles in the future if time allows.

CSO: 4006/785

PROVINCIAL WORK REPORTS

HUNAN HOLDS PARTY MEETING ON ECONOMIC WORK

HK290318 Changsha Hunan Provincial Service in Mandarin 2310 GMT 28 Aug 83

[Excerpts] The Hunan Provincial CPC committee held a work conference from 19 to 26 August, which centered its work on studying the questions on concentrating finances and materials to ensure key construction work and striving to improve economic work in the province.

The participants seriously studied the relevant central documents and the speeches of leading central comrades, reviewed the state of economic work in the previous period, and seriously discussed the question of how to concentrate finances and materials to ensure key construction work and vigorously develop the province's economy. They unified their understanding and got a clear idea of the tasks. Provincial CPC Committee Secretary and Governor Liu Zheng delivered a work report. Provincial CPC Committee First Secretary Mao Zhiyong gave a summation report. Provincial CPC Committee Standing Committee member and Propaganda Department Director Wang Xiangtian made a speech.

The conference held: Concentrating finances and materials to ensure key construction work is the important strategic policy decision of the central authorities in economic work. We must spontaneously make greater contributions to ensuring key construction work and vigorously developing the economy. In order to concentrate finances and materials to ensure key construction work, we must resolutely cut capital construction not covered by the plans. We must clear away all obstacles to ensure the smooth progress of key construction work.

The provincial CPC committee and government demanded that the province strive for a bumper harvest this year despite natural disasters, achieve a big improvement in industrial and commercial enterprise economic results compared with last year, and strive to overfulfill the revenue plan. All sectors must work to fulfill and overfulfill this year's national economic plans.

In the last 4 months of this year, apart from implementing the central strategic policy decision on concentrating finances and materials to ensure key construction work, striving to promote industrial and agricultural production, and getting a good grasp on financial revenue, it is also necessary to do a good job in the structural reform of the provincial organs and the prefectural and city organs, and also prepare for the reforms at county level. We must crack down hard on crime and rapidly change the passive situation of bad social order.

We must more strictly enforce party discipline and rectify party work style, and prepare for the all-round shake-up of the party [Quanmian Zheng Dang].

In order to do a good job in these tasks, the meeting also seriously studied the spirit of the central propaganda work conference and got a clear idea on the tasks in propaganda work in the second half of the year. It is necessary to regard study and publicity of the "Selected Works of Deng Xiaoping" as the focal point in propaganda work in the second half of the year and during the party rectification. It is necessary to conduct extensive propaganda on concentrating finances and materials to ensure key construction. It is necessary to conduct education in patriotism and communism.

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PROVINCIAL WORK REPORTS

GUANGZHOU CITY GOVERNMENT WORK REPORT

HK190957 Guangzhou GUANGZHOU RIBAO in Chinese 24 Jul 83 pp 1-3

[Report Delivered by Ye Xuanping [5509 6693 1627] on 13 July 1983: "Government Work Reports to the First Session of the Eighth Guangzhou People's Congress"]

[Text] Dear Deputies:

On behalf of the seventh people's government of this city, I have the honor to submit the government work report to the first session of the Eighth Guangzhou City People's Congress for examination and discussion.

1. Review of the Work of the Seventh People's City Government

Under the leadership of the Guangdong Provincial CPC Committee, the Guangdong provincial government and the Guangzhou City CPC Committee, this people's government, since its inception in September 1981 and thanks to the joint efforts made by the government at various levels and people of the whole city in consolidating and developing a stable and united political situation, has been able to report pleasing and commendable changes in various sectors and the accomplishment of outstanding results in various phases of work.

1. Steady Progress of the National Economy in the Course of Readjustment

Over the past 2 years, the continued implementation of the policy of "readjusting, restructuring, consolidating, and improving" has initially changed the state of a proportionate imbalance between the various economic departments. The proportionate relations between agriculture, light industry, and heavy industry and between consumption and accumulation have become coordinated and industrial and agricultural production has continued to increase. Last year, the gross value of industrial output amounted to 10.45 billion yuan, an increase of 18 percent over 1980, of which light industry increased by 22.8 percent and heavy industry 9.8 percent. In the first half of this year, the gross value of industrial output again increased by 8.3 percent over the same period last year. Certain durable consumer goods have greatly increased in production. The service orientation of heavy industry has been gradually rectified. Product quality has been stabilized and improved, and the number of new products and variety of products have continuously increased, while the labor productivity rate has improved to a certain extent. New developments have been made in communications

and transportation. Last year, the gross value of agricultural output was 1.46 billion yuan, an increase of 28 percent over 1980. The output of grain, sugar and peanuts all surpassed the previous highest recorded level, while relatively great progress has been made in forestry, animal husbandry, subsidiary production, fishery, and other industries and trades. Foreign economic technical exchanges have grown rather rapidly. Last year, purchases for foreign export amounted to 1.41 billion yuan and foreign exchange earnings from exports amounted to \$360 million, increases of 27.1 percent and 25.7 percent, respectively, over 1980. In the first half of this year, purchases for foreign export and export trade showed increases of 1 percent and 22 percent, respectively, over the same period last year. Over the past 2 and 1/2 years, 64 agreements on joint investment, cooperative production (operation), and compensation trade were signed with foreign merchants, involving over \$190 million. The number of processing and assembling agreements signed was 6,334. Various kinds of equipment and machines were imported and valued at \$18 million. Foreign exchange earnings cleared through the banks for work and services rendered amounted to over \$70 million. Foreign capital funds were utilized to construct or rebuild a number of hostels and residences and to transform and develop a number of enterprises. Tourism has achieved progress. Capital construction has played an active role in developing production and improving the people's livelihood by giving priority to the energy, light, and textile and construction materials industries, to communication and transportation, and to private residential housing. The urban and rural markets displayed signs of prosperity seldom seen since the founding of the PRC. Last year, the gross amount of purchases by the state-run commercial units was over 5.53 billion yuan and their gross sales amounted to over 6.17 billion yuan, increases of 17.6 percent and 19.2 percent, respectively, over 1980. In the first half of this year, the increases were 7.5 percent and 7 percent, respectively, over the same period last year. Financial revenues have also increased. According to the budget, financial revenues showed an increase of 19 percent last year over 1980 figures, while in the first half of this year, the increase over the same period last year was 1.6 percent. Over the past 2 years and more, financial remittances to the province registered increases to a certain extent.

2. Outstanding Results Achieved in Reform and Consolidation Work

The universal adoption in the countryside of various kinds of the household contract responsibility system with remuneration linked to output has overcome the longstanding defects of blind directives in production and the practice of equalitarianism in distribution. It has linked together small-scale household operation with specialized and socialized production, in this way unifying the superiority of the collective ownership system with the enthusiastic nature of operation by individual households. Development of agricultural production has thus been effectively promoted. In the cities and towns diversified economic forms have developed. Various forms of the economic responsibility system have been universally adopted in state-run industrial, communications, construction, installation and assembling enterprises and commercial enterprises. Initial reforms have been carried out on the circulation system between the cities and the countryside. In certain state-run enterprises, trial points have been set up for adoption of the floating wages system and the contract labor system. Enterprises which have undergone the initial stage of reform have generally increased their economic vitality and improved the quality of their services and their economic results.

Since the beginning of this year, reform measures on the administrative structure of cities have been formulated and at present steps are being taken for their implementation. The number of city government office structure has been reduced from 75 to 37, a 50.7 percent reduction. After readjustment, the number of principal and assistant leadership cadres in the six committees and offices of the city government is 25, 19 persons less than in the original figure. Their average age dropped from 61.4 years to 50.8 years. Of them, 84 percent, as against 59 percent before, have a cultural level of university or senior high school grade.

All-round consolidation work of the enterprises has begun. Through the end of June this year, 130 enterprises had done through consolidation work and are now found to be up to standard. In the enterprises which have undergone consolidation, the leadership ranks are taking a big step forward in the direction of being revolutionary, young in age, intellectual, and specialized. In these enterprises, the economic responsibility system has been gradually installed or perfected, their management has been strengthened, and their economic results have been clearly upgraded.

3. Continued Improvement in the Standard of Living of the People in the Cities and the Countryside

Following production development, the people's income has increased. Last year, the average wage level of the employees and workers throughout the city was 1,090 yuan, an increase of 153 yuan over 1980, or a 16 percent increase. In the households of employees and workers, the average yearly income was 699 yuan per person. After deducting commodity price increases, there was an 18.9 percent increase over 1980. The average net income of the peasants (including distribution from collectives and income from household subsidiary trade) was 481 yuan per person, an increase of 193 yuan over 1980, or an increase of 67 percent. There has been a large increase in the savings of residents in the cities and the countryside. At the end of last year, the aggregate amount of balances of savings accounts was 1.7 billion yuan, an increase of 75.3 percent over 1980. The purchasing power of people in the cities and the countryside has greatly increased. Last year, the volume of retail sales of commodities of the society amounted to over 4.21 billion yuan, an increase of 33.2 percent over 1980. In the first half of this year, they amounted to 2.19 billion yuan, an increase of 12.2 percent over the corresponding period of last year. Substantial increases were seen in the sales of pork, chicken, fish and other major subsidiary food products and high-priced consumer goods. Markets trading in agricultural products have been extremely prosperous and lively. This made up somewhat for the deficiency in the state-run markets. There has been an increase in the number of service points of the commercial network. Concerning market commodity prices, measures of comprehensive control have been adopted, and the tendency of rising commodity prices have been adopted, and the tendency of rising commodity prices has been effectively checked. To protect the people's livelihood, planned supply of the necessities of life has been maintained and provided at listed prices, and deficits resulting from the differences between the purchase and marketing prices have been made up by subsidies from the government. Over the past 2 years, subsidies were made, amounting to over 300 million yuan, on the sales or supply of grain, oil, meat, fowl, eggs, fish, vegetables,

coal and firewood. Building residential houses has been stepped up and the housing condition of a portion of the people has improved. In the past 2 years, the total area of residences arranged and completed by the city was 1.075 million square meters; in the first half of this year, another 250,000 square meters of new housing were completed, an increase of 20 percent over the same period last year. In housing distribution, priority was given to the "four categories of people" who were in dire need of housing facilities. Eleven roads were newly built, while six bridges and pedestrians bridges were also constructed. The number of public buses increased by 388. Last year, the daily water supply capacity of the city was 1.99 million tons, an increase of 5.6 percent over 1980. Over the 2 and 1/2 years, the number of households with water systems increased by more than 26,000 units and the tense water supply situation has been relieved somewhat. In the countryside, changes in water supply work have achieved definite successes, resulting in tap water supply being available to 250,000 people. Environmental public health measures were increased. In the city area, 74 percent of the "administrative streets" have carried out "direct delivery and direct disposal of coal, charcoal and garbage" while 56 percent of the "administrative streets" have carried out "separate collection and dispatch of coal, charcoal, garbage and other discarded articles." One hundred forty public toilets have been constructed or rebuilt. As for environmental protection, 749 schemes for the handling and disposal of the "three wastes" have been completed and 168 sets of old-style boilers and furnaces have been rebuilt. Relatively great progress has also been made in making the city green by planting more trees and flowers. Over the past 2 and 1/2 years over 190,000 jobs were found for people in the cities and towns.

6. New Developments in Educational, Scientific and Cultural Enterprises

In order to speed up the development of educations, scientific, cultural, public health and recreational enterprises, expenditures have been continuously increased on these various sectors. In 1981 and 1982, the average annual increase was around 25.8 percent. This year's plan calls for a further rise of 5.7 percent over last year. Some improvement has been made in the teaching conditions in schools and learning institutions. The structure of middle-grade education has been gradually readjusted and reformed. Thirty-three "full middle schools" which did not have suitable conditions for transformation into senior high schools were changed into junior middle schools. Nine vocational training middle schools were newly established. In addition, five agricultural middle schools and three sectorary-sponsored schools with vocational training classes were established. This has made a start in changing the state of imbalance and lack of coordination in the structure of ordinary education. Pivotal middle schools and a portion of the senior middle schools in the city have changed over to the 3-year system while all the primary schools in the city area have reverted to the 6-year system. Education quality has steadily improved. Schools sponsored and established by the people have greatly increased in number. At present, there are 130 night schools of various kinds in the city, with an enrollment of nearly 30,000 pupils. Industrial and agricultural education has developed. There are 380,000 employees and workers and 170,000 peasants who are part-time students. The childcare enterprises have also achieved certain development. Studies on the application and use of science and technology have been strengthened. In the past 2 years, over 3,380 scientific research projects have been completed of which 3,052 projects have been put into production or operation. The actual application and promotion of the fruits of this research have played important roles in promoting and developing industrial and agricultural production. Scientific research projects conducted by plants and by

the rural villages have increased in number, and work on popularization of science and technology has progressed. New development has been seen in cultural enterprises. There has been an increase in art and literary productions. Specialized and sparetime activities in art and literature have flourished while cultural activities in general have increased and the facilities for them have been improved. Since its completion last year, admissions and visits to the Changzhou Library have totaled about 1.72 million people. Over the past 2 years, 10 hospitals and clinics have been constructed or expanded and 3,200 hospital beds have been added. Medical management and control have been reinforced, and the quality of medical work, upgraded. New successes have been achieved in the field of sports. Popular sports and recreational activities have been thriving and the general standard of sports has increased. In competitions of an international, or national, or provincial nature, the number of gold medals won by athletes from our city has notably increased. Birth control work has penetratingly developed. In the city, the popular theme is "one child only for a couple," and, basically speaking, the custom of having many children has disappeared. In the countryside, the practice of having many births and many children is steadily diminishing in force, and there has been a notable increase in the number of couples resorting to various birth control measures. In May and June this year, over 110,000 people in the city underwent surgical operations in family planning and birth control.

3. Stepping up Construction of Socialist Spiritual Civilization; Social Atmosphere and Social Security Turning for the Better

In the "five stresses, four beauties, and three fond loves" activities, the vast masses of cadres and people have been continuously subjected to educational processing on patriotism, communist ideologies and moral codes. They have engaged in and developed such activities as "learn from Lei Feng; establish a new atmosphere," "civilized production; civilized commerce;" building "civilized streets and villages," striving for creating "double bests" (best store and best store-keeper), "three-bests" (best driver, best conductor, and best pilot), and "five-good" families. The people have been mobilized to deal with cases of filthiness, confusion, and deviation. After an education series and various kinds of activities, improvement has been made in the service attitude of employees in commercial stores, the service trade, and public transport. Likewise, city appearance and its "sanitation look" have greatly changed, while social order, order in public transport, and social atmosphere have all taken a turn for the better. A number of labor models, advanced production workers, young shock workers and "8 March Redflat bearers" have made their appearance. In addition, heroic figures of the "An Ke" type have appeared on the scene. Their advanced deeds and lofty spirit have impressed people of the whole city.

Since last year, in accordance with arrangements made by the central authorities and the provincial government, we have vigorously engaged in struggles against serious criminal activities in the economic sphere. Big results have been achieved. Up to June this year, the city has exposed and put on file for investigation purposes 1,615 cases of economic irregularities of various kinds (80 of which involved sums of over 10,000 yuan each). Of these cases, 71 percent have been investigated and are now closed. These struggles have not only dealt a heavy blow on a number of criminal elements but also have given the vast masses of cadres and people penetrating anti-corrosion education.

stepping up the propagation and education of the legal system, further consolidating social security, mobilizing the populace to strengthen security control and security prevention work, strengthening education and transformation work on youths who had committee errors, and deal blows on the sabotage activities of spies, counterrevolutionaries and criminal activities--all these have brought about a noticeable change for the better in the social security of our city, thus ensuring the smooth progress of socialist construction.

Work on Overseas Chinese affairs has also been strengthened. As of the end of May this year, the whole city (including newly "discovered" households in various districts and counties) has returned to the owners some 1,278 private residences which were seized at the time of "Cultural Revolution" from Overseas Chinese and Chinese compatriots in Hong Kong and Macao. This represented roughly 82 percent of the residences that should be returned. Of the problems left over from the land reform period involving residences of Overseas Chinese, roughly 91 percent have been solved or settled. This has expanded and made more intimate the relationships with Overseas Chinese and Chinese compatriots in Hong Kong and Macao, preserving and stimulating their warm feelings of patriotism and love of their native villages.

The continuous implementation of the racial policy, religious policy, and policies on the industrial and commercial circles, people connected with the national insurrection, compatriots in Taiwan and people and dependents going to Taiwan has further aroused the enthusiasm for socialism in various quarters.

The work of census taking, household registration, survey of names of localities, and changes of street names and household numbers has been fulfilled.

Reforms of the militia structure have been carried out. The militia corps have been readjusted; they have been reduced in number but their quality has been upgraded, and they have been allowed to display their active role in the "construction of the two civilizations." Liaison with the PLA forces has been strengthened. The work of supporting the armed forces and giving preferential treatment to their family members and dependents has been further strengthened. Closer ties have been affected between the armed forces and the government and between the armed forces and the people.

Over the past 2 years, this city has become a sister city to Los Angeles in the United States and Manila of the Philippines. Friendly relations have steadily increased with the people of Fukuoka in Japan.

Achievement of the above-mentioned successes may be attributed principally to cadres at various levels and people of the whole city firmly adhering to the line of the CPC since the 3d Plenary Session of the 11th CPC Central Committee. They have implemented the eight-character policy, readjusted the proportionate relationship between the various economic departments' carried out reforms, and transferred economic work to the track which holds economic results as the center. They have vigorously adopted the policy opening the doors to the outside and enlivening the domestic economy, insisting on the principle of taking planned economy as the center and regulation by market mechanism as supplement, and strengthening effective control over the national economy. They have

simultaneously grasped construction of socialist material civilization and socialist spiritual civilization, stepped up ideological and political work, and strengthened the building of socialist democracy and the legal system. They have carried out the various policies of the party, displayed concern with the people's livelihood, stirred up the enthusiasm of people of various circles and people of the whole city, and are united to prosecute and hard and difficult struggles.

During the past 2 years, although work in our city has achieved rather big results were still far from the demands of the party and of the state and from the anticipation of people of the whole city. In addition, there were still many deficiencies and problems. Principally, we can mention the insufficient supply of electric power, fuels and a portion of raw materials and we are still "deeply in debt," or still far behind, in such matters as municipal construction, education, science, culture, public health, recreation and the people's livelihood. The management and operation methods in the fields of production, construction, and circulation have been of a poor grade, and there are serious extravagances and relatively low economic results. The competitive power of our export commodities has been weak, their cost of foreign exchange earnings has been high and heavy losses and deficits have been incurred. Plans for the utilization of foreign capital and studies on its feasibility have not been done carefully or meticulously enough. Due to the large number of capital construction projects, we have necessarily diversified the use of capital but have failed to grasp tightly enough the essential capital construction and important technical transformation projects. City management and control work have been very weak, the organs in charge are not sufficiently healthy and law enforcement is not strict enough, while problems of filthiness and confusion have not been completely solved and have frequently reappeared and reasserted themselves. Such phenomena as those endangering the security of the people's life and properties and poisoning the social atmosphere have frequently appeared. Between the government departments, a state of non-cooperation, lack of coordination, and pulling each other's legs is still very much in vogue. Government work is still not penetrating enough while work efficiency is generally low. Existence of the problems and deficiencies mentioned above has badly affected the forward progress of work in our city.

In our work from now on, we shall have to display the results, banish the defects, solve the existing problems, overcome the difficulties, and exert the utmost efforts to fulfill and overfulfill the Sixth 5-Year Plan and other tasks.

II. Guangzhou City's Basic Tasks Under the Sixth 5-Year Plan

In 1980, the city government formulated a development outline of the Sixth 5-Year Plan (1981-1985) for the city. Due to the ever-changing situation and the constant increase in our knowledge of events, the draft plan was revised from time to time. We are now submitting the outline of this plan to this assembly for examination.

The 12th CPC National Congress has decided on the strategic target, strategic pivotal points and strategic steps in the economic construction of our country. It demanded that on the logical premise of continuously raising economic results, we strive hard to quadruple the gross value of our industrial and agricultural

production by the end of this century for 20 years commencing in 1981. Guangzhou is an important city in Guangdong and south China. It has many superior points and possesses the necessary conditions for the above-mentioned quadrupling of the gross industrial and agricultural output value and thus enabling the people's standard of living to reach the stage of being comparatively well-off. We should indeed try to achieve this target ahead of schedule, helping the whole province and whole country to realize the objective of quadrupling. Quadrupling of the city's gross output value of industry and agriculture means that the output value of 10 billion yuan in 1980 must be increased to 40 billion yuan in 1980 must be increased to 40 billion yuan by the year 2000, or an average annual increase of 7.2 percent. Of this, the gross industrial output value should be increased from 8.86 billion yuan to 37 billion yuan, or an average annual increase of 7.4 percent, while the gross agricultural output value should be increased from 1.14 billion yuan to 3.05 billion yuan, or an average annual increase of 5 percent. According to the strategic arrangements made by the central authorities and the provincial authorities, the first 10 years will be devoted principally to preparation work, to prepare the groundwork for economic growth in the next 10 years.

Formulated on the basis of the above-mentioned demands, our city's Sixth 5-Year Plan envisages the following basic tasks: performing a good job in readjusting the national economy and taking the upgrading of the economic results as the center; stepping up restructuring; grasping well the all-round consolidation of enterprises; carrying out reorganization and technical transformation work; greatly reinforcing construction of such weak links as energy resources and communications and transportation; ensuring the stable growth of the national economy; developing the educational enterprise; stepping up the training of talented personnel; maintaining the basic stability of the general level of market commodity prices and further improving the standard of living of the people.

The principal economic targets of the Sixth 5-Year Plan are: by 1985, the gross value of social production will be 16.73 billion yuan, an increase of 34.6 percent over 1980 (same below), or an average annual increase of 6.1 percent; the national income will be 6.78 billion yuan, an increase of 35.1 percent, or an average annual increase of 6.2 percent; the gross value of industrial and agricultural output will be 13.76 billion yuan, an increase of 37.5 percent and an average annual increase of 6.6 percent (gross industrial output value will be 12.1 billion yuan, an average annual increase of 6.4 percent and gross agricultural output value will be 1.657 billion yuan, an average annual increase of 7.8 percent); the retail sales volume of social commodities will amount to 5 billion yuan, an increase of 64 percent; and the foreign exchange earnings from exports will amount to \$440 million, an increase of 50.1 percent. During the Sixth 5-Year Plan period, capital construction investments will amount to 800 million yuan, investments on renovation and transformation will amount to 1.64 billion yuan, and introduction or importation of foreign capital will amount to 1.19 billion yuan. In 1985, city financial revenues will amount to 2.207 billion yuan, an increase of 40.7 percent over 1980.

After completion of the Sixth 5-Year Plan, the proportionate relationship between the various departments of the national economy will be further coordinated.

Agriculture, forestry, animal husbandry, subsidiary production and fisheries will all have achieved a rational development. In industry, the capacity of supplying the various departments of the national economy with technical equipment will have been raised, the weak links in production will have been further strengthened, and the capacity of producing focal-point products will have been, comparatively speaking, greatly increased. Varying degrees of development will have been achieved in education, science, culture, public health and recreational enterprises. There will have been an increase in city public utilities as well as improvement in the housing conditions of the people.

The condition of execution of the 1981 plan and the 1982 plan under the Sixth 5-Year Plan and the arrangements made for the 1983 plan has already been separately reported to the first, second, and third sessions of the Seventh Guangzhou People's Congress. Generally speaking, over the past 2 years and more, the condition of the execution of the economic and social development plan of our city has been rather satisfactory. The gross output value of industry and agriculture has averaged an annual increase of 9.1 percent of which industry's increase was 8.6 percent, and that of agriculture, 13.2 percent. The gross volume of retail sales of social commodities averaged an annual increase of 15.4 percent; the gross value of purchases for foreign trade export increased yearly by 12.7 percent; foreign exchange earnings from exports yearly increased by 12.1 percent; and financial revenues yearly increased by 9.4 percent. In the next 2 and 1/2 years, if we can continue to work hard, earnestly carry out the policies, and fully mobilize all positive factors, the Sixth 5-Year plan will certainly be realized. Hence, we recommend that the next session of government grasp well the following lines of work:

1. Firmly and Systematically Perform a Good Job in Reform

Reform provides an important guarantee for the realization of socialist modernization. The purpose of reform is to "overcome the evils and defects of the original system which impede the development of the social productive force and to gradually form a new economic system which conforms to the national condition of our country and to establish a socialist system which embodies China's special features." We should firmly and thoroughly carry out the general line and policy advocated by the CPC Central Committee of "starting from reality and carrying out reform in an all-round, systematic, determined and orderly manner." We must tightly grasp the correct direction and principle of the reform. In the course of the reform, we must step up ideological and political work and earnestly accomplish the objective that each and every reform is "beneficial to fulfillment of the various tasks under the state plan; beneficial to the coordinated development of the national economy; beneficial to the achievement of relatively high social and economic results in the various economic activities; and beneficial to concurrently minding and safeguarding the tri-party interests of the state, the enterprise, and the individual and ensuring a rational increase each year in the financial revenues of the state." In order to meet the demands of development of economic construction, we must speed up the steps of the reforms. Projects with benefits which we are sure of should be actively carried out; projects on which we are not so confident must first be put through investigation and study. Trial points should then be made and the results and experiences gathered and summed up. Only when the time is ripe should we carry

out the projects in full. In the next 2 and 1/2 years, we should grasp well the following reforms:

First, carrying out in an all-out manner the "tax in lieu of profit" system for state-run enterprises. Starting this year, enterprises originally required to make profit remittances to the state should switch to paying income tax to the state. Following implementation of this new system, the enterprises concerned should, on the one hand, enliven the enterprises themselves and, on the other hand, handle well the tri-party interest relations between the state, the enterprise, and the individual so that the state benefits most; the enterprise, second; and the individual, third. The demands stipulated in the state plan calling for reduction of the cost of production and other expenses must be complied with by each and every enterprise unit and the latter must ensure that they will be fully met. Enterprises failing to meet these demands will be penalized with a reduction in their percentage of profits. All enterprises must meet in full the profit and tax requirements of the state. Units, because of poor operation or management, which fail to fulfill their commitments in this regard must not, in principle, be allowed to readjust the salaries and wages of their employees and workers. Planned control and control of the commodity prices must be stepped up. Enterprises cannot disassociate themselves from planned guidance and cannot of their own accord, or in disguise, raise the prices. Internally, the enterprises must rigidly enforce the economic responsibility system and earnestly solve the equalitarian problem of "everybody eating from the same big pot."

Second, capital construction projects should take up the system of calling for tenders. All building units possessing the necessary conditions must be allowed to submit their tenders. Between the building unit and the capital construction unit, a building contract must be signed. In order to carry out well this reform, we must step up the work on budget screening and inspection and on social supervision of the quality of the construction work. This will ensure the proper quality of the construction work and prevent such phenomena as scamping and stinting in materials and building in a rough and slipshod way.

Third, the circulation system should be further reformed. In this regard, we should first open up the urban and rural markets, permit the production units, peasants and licensed merchants and peddlers to send to, and sell in, the urban markets agricultural and sideline products after having fulfilled the planned purchase tasks. At the same time, industrial products should be allowed to be sent via various channels to the countryside. Second, the wholesale system should be reformed and the number of circulation links or midway points should be reduced. With the exception of commodities subjected to planned distribution, wholesale enterprises and state-run retail sales enterprises should be allowed to negotiate orders for goods or actually purchase goods from the factories or to act as marketing agents for factories and plants. Collective-run and individual commercial units should be allowed, within the scope of operation approved by the relevant industrial and commercial administrative departments and plants. They may also engage in transregional purchases or marketing of goods. Third, we must step up the reform of the cooperative system of supply and marketing cooperatives, striving to complete this phase of work in the city outskirts and adjoining counties before autumn harvest this year.

After their reform, the supply and marketing cooperatives should gradually be transformed into combination service centers of the rural economy. Fourth, we should continue to vigorously develop collective commerce and the service trade, and perform a good job in building service points and network, and thus make it easy for the general public. We should also step up administrative and control work in industry and commerce and guide and support the development of collective commerce, individual commerce and the service trade. Business operations without proper license and illegal transactions must be strictly banned and the interests of legitimate operators and consumers must be duly protected.

Fourth, gradual reform of the wage and labor systems. For workers employed on new labor projects under the system of ownership by the whole people, the labor contract system should be carried out. The floating wage system should also be selectively tried out. Reform of the labor insurance system should be made and social labor insurance should be gradually enforced. In conformity with the relevant regulations of the central government and province, we should perform well the job of readjusting salaries and wages.

Fifth, trying out reform on industrial loans. The banks should control loans in accordance with the ratio between sales and circulating funds (that is to say, amount of circulating funds employed per 100 yuan of marketing volume) of the enterprises and adopt the system of floating interest rates. If the products of an enterprise are marketable and its circulation of funds is a rapid one, it can enjoy the privilege of "more sales, more loans," along with a reduction in interest rates. On the other hand, if the sale of products of an enterprise is stagnant, resulting in funds being tied up, then, generally speaking, the amount of loans should not be increased while the interest rate should be raised. Enterprises found to have a rapid turnover of funds who are making little use of the circulation funds may enjoy the privilege of additional short-term loans, for purposes of technical transformation and renewal of equipment.

Sixth, reform of the control system. Reform of the city control system should be carried out gradually. When the power of control should be centralized in the city, it should be so centralized, but if it must be released to the lower levels, it should be done without question. However, there must be a full display of the first-grade political function of the districts and demarcation should be made between government and business. We should systematically transform a portion of the administrative bureaus or companies having direct control over the enterprises into companies in the nature of enterprises. Internally, they should be reduced in size but remain highly efficient while their staff should likewise be retrenched to achieve the objective of being "small but efficient."

Aside of the above-mentioned reforms, we should formulate as soon as possible reform plans on planned control, commodity prices, foreign trade, personnel management, public security, and political and legal work. After trial points have been made or after the projects have been partially tried out with success, overall reform should then be carried out in a systematic manner.

2. Continue to Grasp Well the All-Round Consolidation, Readjustment, Transformation and Merging of the Enterprises and Strive Hard to Upgrade the Results

Upgrading the economic results is the logical premise and objective of our economic work. We should not only greatly stress economic results in ideology but also adopt effective measures to continuously improve the economic results in various sectors such as production, construction and circulation.

The all-round consolidation of enterprises and strengthening of enterprise management constitute the foundation work for improving economic results. We must strictly observe the prescribed standards, continue to tightly grasp and perform well the consolidation work, and have this work satisfactorily completed before 1985. First, in the consolidation work, we must, having regard of the demands made on the cadres in the "four modernizations," build up well the leadership personnel of the enterprises. We must carry out the three sets of rules covering, respectively, the party committee of the enterprises, the head of the enterprise, and the representative congress of the employees and workers, and must firmly insist on the principle that the party committee takes up collective leadership work, the employees and workers carry out democratic management, and the factory director (manager) attends to the administrative and directing tasks. We should improve and perfect the leadership system and management system of the enterprises and bring into full play the role of the various quarters concerned. Second, we must first establish and perfect the internal economic responsibility system of the enterprises and improve various kinds of foundation work such as planned control, production control, technological management, equipment control, quality control, labor control, control of material resources, financial control, cost accounting, and analysis of economic activities. Third, we must consolidate well the labor structure and labor discipline and organize production according to a fixed number of personnel and a fixed production quota. We should dispose of surplus personnel in an appropriate manner and offer training classes for the staff as a whole. In order to ensure the good quality of the consolidation work, governments and departments at various levels should step up their guidance of this work and help pivotal enterprises to do a good job in consolidation. Enterprises which have gone through the consolidation process and are found to be up to the required standard should, in combination with reform work, carry forward to a new plane further consolidation of a constructive nature, endeavoring to gradually realize the goal of modernized management.

We must continue to grasp well the readjustment of the enterprises. We must close, suspend, merge, or shift to other lines of production those enterprises which are in the habit of fighting with advanced units for energy supply, for raw materials, and for transportation facilities and markets but which are offering products of poor quality in an attempt to squeeze our products of good quality. Energy resources thus saved should be assigned to the advanced units. Enterprises found to have engaged in duplicate production or whose geographical location is not satisfactory or rational should also be readjusted. Enterprises habitually incurring losses in operation should be given a time limit to make improvements, failing which they should likewise be subjected to being closed, suspended, merged, or shifted to other lines of production. Enterprises felling victims to the readjustment process should, wherever possible, be organized to

take part in the production of goods that are marketable or merged with enterprises which are fully stocked with production orders. We should guide heavy industry onto the path of better serving agriculture, light industry, municipal construction and technical transformation. We should firmly insist that in the use of energy resources, raw materials, transportation facilities, investments, loans and foreign exchange, priority be given to light industry's requirements. Industrial enterprises should earnestly study the consumption situation and the new changes and developments in markets inside the country and abroad. They should organize production according to actual demands and perform well the job of marketing and rendering good services. Development of their products should take the direction of high quality, low price, many varieties, new styles, and new designs, and be up to full standards and give good service. In particular, efforts should be made to develop products of well-known brands, products of high quality, new products, and new trades, and to open up new territories. We must restrict or stop the production of products whose supply exceeds demand and avoid stockpiling.

We should continue to reorganize or amalgamate the enterprises in close adherence to the principle of economic rationality and specialized cooperation. In the case of trades and enterprises possessing the conditions for specialized production such as casting, forging, handling of thermal energy, electroplating and mold making, specialized production should be gradually instituted. The form of economic combinations should be many and numerous. Between industries and between industry and commerce, industry and trade, industry and agriculture, and industry, agriculture, commerce and trade, combination and cooperation are entirely possible. We can also carry out transregional economic combinations. This will make it possible for the have's to help the have not's and for those who have more to help those who have less concerning such matters as capital funds, material resources, technology and talented personnel, thus mutually and reciprocally helping each other.

The entire body of cadres, employees and workers should be mobilized to upgrade production and work efficiency, to increase production, to practice savings and economy, to oppose waste and extravagance, and to create more wealth for the state.

3. Vigorously Promoting Technological Progress; Quickening the Steps in Technical Transformation

Economic development and prosperity must depend on advances in technology. We must strive to shift production to taking advanced technology as its foundation. Technological and economic departments and each and every enterprise unit should regard as the "dragon head," or lead, the development of products of well-known brands and of new products, and systematize and put into a coordinated and composite whole important links such as the solution to difficult technical problems, trial production of new products, adopting of new techniques, introduction and digestion of foreign new technology, promotion and transfer to other localities of domestic new technology, technical transformation of enterprises, assessment of the volume or quantity of new products required for production, adoption of international standards in production, and so on. Definite plans should be formulated for technological progress and technical transformation.

We should organize well the work of tackling technical problems and difficulties. Concerning the tackling of the 32 focal technical problems and projects, the relevant departments and enterprise units should offer their financial resources and material resources in support. All available forces from various sides should be mobilized to ensure the ultimate completion of these scientific research projects. At the same time, various industries, trades and enterprises should each determine the particular technical difficult problems to be tackled, organize their available forces, solve them and apply the results in production at the earliest moment. We must earnestly promote the adoption of mature scientific and technical results. At present, some 22 projects should be given priority in adoption, including the use of low wear transformer, electric fans low in power consumption, vacuum aluminum electro-plating, power-saving carburetor, and so on. We should tightly grasp the technical transformation of existing enterprises. Concerning the 172 technical transformation projects scheduled for the remaining 3 years of the Sixth 5-Year Plan period, we must savagely carry them out, from planning, procuring of equipment and materials, to actual work. We must closely join together technical transformation with the introduction of advanced technology and perform a good job in digesting, absorbing and promoting advanced techniques. Following the successful tackling of difficult technological problems as mentioned above, promotion of the scientific and technological results obtained, and technical transformation work done, production and technology in our city will assuredly achieve obvious results. A portion of the antiquated equipment will have been renovated and a portion of the backward technology will have been improved. New technology, new art craft, new equipment, and new materials will be in use in a number of the enterprises. Certain focal products will have reached the advanced domestic level or international standard. The machine-building industry will turn out 48 products which are compatible with international standards. There will be roughly some 30,000 new products and new varieties of products. Energy consumption will generally become lower and the labor productivity rate will be clearly enhanced.

In order to facilitate progress in science and technology, governments at various levels should bring into full play the role of various scientific and technological societies, federations, or research institutes and should vigorously support them in their activities, creating the necessary conditions for their work. Rational recommendations from these sources should be timely adopted and carried out. In addition, vigorous efforts should be made to strengthen the build-up of scientific and technological groundwork and measures and actively set up centers for developing and exchanging scientific and technological know-how. We should, in a planned manner, readjust, transform and build scientific and technological organs for focal industries and trades and set up scientific research bases possessing special characteristics of our city. The various industries and trades should likewise set up development centers for science and technology, and enterprises with the necessary conditions should build research institutes. Investments in science and technology should be increased so as to gradually harmonize their proportionate relationship with the national economy and social development. As for the sources of investments in science and technology, aside from financial appropriations from the city, we should fully arouse enthusiasm to raise funds for scientific and technological projects on the part of the various departments, enterprises, rural communes and brigades and the vast masses of people.

The extensive masses of workers in philosophy and in the social sciences should continue to insist on guidance from Marxism and Mao Zedong Thought, and thoroughly carry out the principle of theory being in line with reality and the policy of "letting a hundred flowers blossom and a hundred schools of thought contend." They should carry out research on the important theories and problems of actual practice concerning economic construction and social development in our city. They should offer suggestions and be ready to answer queries, and thus facilitate the progress of work on various fronts.

Progress in science and technology depends not only on the efforts of the scientific and technological circles but also on the vast masses of people directly engaged in production and construction. Indeed, we must extensively mobilize the workers, technical personnel, and cadres to make suggestions, particularly concerning the weak links in production, and to take part in, and promote, activities in rational construction and technical renovation, thus employing collective wisdom and intellect in promoting progress in technology.

4. Further Expansion of Foreign Trade and Active Utilization of Foreign Capital

Our city has close economic relations with Hong Kong and Macao. Relations with our overseas nationals are also plentiful, and we have a long history of trade with other countries. We should make good use of this superior feature and step up the development of our foreign economic relations. We must expand our foreign trade and, simultaneously with promoting the export of industrial products, actively support the export of traditionally well-known agricultural and sideline products and native special products. Industrial and foreign trade departments should determinedly study the needs of the international market, improve the quality of export products, increase the variety and specifications of products, raise the grade of products, replace the old with the new, improve packing and decoration, lower the production cost, and ceaselessly raise the competitive power of the products. In order to solve the difficult problem of insufficiency in raw materials, industrial and trade developments should closely work together, vigorously promote and develop the system of "fostering export with import," import materials and parts for processing for reexport, and continuously raise the proportion of this category of products in the gross volume of exports. We should step up studies and forecasting work on international markets. In particular, we should have a good knowledge to the trend of supply and demand and organize in time the production and export of marketable products. We should vigorously reinforce marketing and continuously open up new markets. At present; in developing foreign trade, we have been confronted with problems of losses and/or insufficient subsidies. Our industry, agriculture, and trade should find a way out by maintaining a keen attitude, supporting and cooperating with each other, and instituting the necessary reforms. They should tap their hidden potentials, improve their management and control and adopt all possible measures to increase exports. In addition, we should actively promote the export of labor and services, obtain contracts for engineering projects abroad, and offer technological services.

At present, the world economy is passing through a stage of great change. We must skillfully make use of our advantageous factors and actively import foreign capital as well as advanced and suitable technology and equipment. All relevant departments, industries, trades and enterprises, based on the need for the

development of the national economy of our city, should formulate plans for utilization of foreign capital and introduction of foreign advanced technology and should prepare well domestic funds and equipment in support thereof. As for those projects already selected for utilization of foreign capital, they should first be subject to a rigid procedural examination and, if found to be in order, should be incorporated into the development plan of the national economy of our city. In the utilization of foreign capital and importation of foreign technology, we should center on industrial projects, and especially grasp, and grasp well, introduction of the urgently needed advanced technology of our city, development of new products, raising the grade of products, and giving priority to procurement of energy-saving equipment and projects. At the same time, we should appropriately introduce and import projects for the development of agriculture, commerce, tourism, city construction, and other sectors such as education, science, culture, public health and recreation. Concerning the cement plant with an annual production capacity of 1.2 million tons to be built with foreign capital which the State Planning Commission has sanctioned for inclusion in the state plan, we should implement the "project responsibility" system. We should tightly grasp preparation work at the pre-construction stage and strive to start construction work at the early stage of the Seventh 5-Year Plan period. As for other projects on which foreign capital will be utilized, such as the automobile tire plant, which has a projected annual capacity of 130,000 tires, and the beer brewery, with an annual production capacity of 50,000 tons of beer, we must also tightly grasp the construction work and put them in production on schedule. In the utilization of foreign capital we should adopt various forms and should, on the basis of mutual benefit, allow the foreign investors to obtain their due compensation. We welcome our compatriots in Hong Kong and Macao, compatriots in Taiwan and Overseas Chinese nationally, to come back and invest and wish to assure them of due protection of the legitimate interests from their investments in the country. We should continue to develop such lines of business as processing and assembling of products for foreign merchants and should encourage all those who have the necessary qualifications, with the support of the foreign trade departments, to seek development in the field of procuring and importing materials for processing and subsequently exporting and finished products. We should also pay due attention to the introduction of scientific management methods and experiences.

In the enlargement of economic and technological intercourse with foreign countries, we should welcome overseas specialists to come to this city to work or to give lectures. They may reside here for a prolonged period or take up jobs for a specified period of time.

Tourism should be vigorously developed. The existing tourist points and tourism resources should be revised and transformed, one at a time, and should be formed into an integrated whole with the supporting facilities well projected and prepared. New tourist spots should be opened. We should grasp well construction of the tourists spots at Bai Yun Shan, Lian Hua Shan, Liu Xi Ho and Nan Kun Shan.

5. Rigidly Controlling the Scale of Capital Construction Investments and Ensuring Construction of Key Projects

The central authorities have pointed out that in order to further build a strong foundation for our country's economic development, we must rigidly control the scale of capital construction investments and concentrate our financial power and material resources on the key projects. For construction in the Sixth 5-Year Plan period, the state and our province have designated the following key projects in our city: Huangpu Xin Sha Harbor, He Li Wei and Dong Lui Wei wharves of Guangzhou Port, double tracking the Guangzhou-Hengyang branch railway line, Guangzhou satellite communications earth station, and so on. We should give support from various sides to the construction of these pivotal projects. We should also determinedly fulfill our tasks of making financial remittances to the state, subscribing to the treasury notes, and paying our share of the energy and communications construction expenses.

Under the logical premise of giving vigorous support to the key construction projects of the state and the province, we must nevertheless resort to various means to procure the construction funds and materials to do a good job in key construction in our city. In the Sixth 5-Year Plan period, the fixed assets investments of our city are centralized on construction in such sectors as energy, communications, light and textile industries, education and people's residences.

Among them, the principal ones are: the fourth coal mine with a projected annual capacity of 100,000 tons coal; the second-stage thermal power project of the Guangzhou electric power plant; a polyester fibre plant with an annual capacity of 2,000 tons; a refrigerator compressor plant with an annual capacity of 200,000 compressor units; and so on. The various departments and units concerned should tirelessly work together to bring about the early completion of these projects so that they may be put into operation.

In order to effectively control the scale of capital construction investments and to raise the economic results, we must strengthen the planned control of capital construction and keep the number of new projects under rigid control. Projects in the process of construction should be checked and reviewed in accordance with the central targets of the province and with due consideration of the financial power and material resources of the municipality and also taking into account whether the projects are important or not, urgent or not. As for those projects still lacking the necessary conditions for starting construction, or for which, despite the original arrangements made, conditions or circumstances have changed, and those projects which currently have problems in construction, supply, or marketing, their construction should be deferred or stopped altogether. In the case of projects which exceed the state plan, the excess portion should be cancelled. On all construction projects, pre-construction preparation work must be done first, and the prescribed capital construction procedure must be strictly followed, otherwise they should be deleted from the plan. Capital construction projects which have not been subjected to scrutiny by the municipal planning committee or included in the plan (including projects financed by bank loans, or by the private funds of the enterprises, or by foreign capital) should not be allowed to start construction and the offenders will be prosecuted. In capital construction, a rigid responsibility system should be instituted. Extravagance and waste should be forbidden. The system of contracting for completion of a job should be enforced and there should be no loophole for money-spending. The banks should charge differential rates on

Construction banks should step up unified control of the various kinds of construction funds. Financial and statistical departments should strengthen their supervision of the use of construction funds. Building companies should not, of their own accord, raise construction prices. We should step up control of the construction work, raise work efficiency, shorten the construction period, ensure the good quality of the construction work, lower the building costs, and rigidly carry out the procedure of inspection and takeover upon completion of a job, in this way enhancing the investment results.

Means of production for which the state has prescribed fixed prices such as steel, pig iron, cement, timber and coal produced by enterprises under the system of ownership by the whole people, regardless of whether the production is contemplated in the state plan or not and even though they represent surplus products, should all be rigidly subjected to the fixed prices of the state. We must determinedly stifle the two types of evil winds, namely, raising at random the prices of means of production and charging the construction units special fees. Those units and persons guilty of these two practices should at once rectify their errors. Those failing to do so within a prescribed time limit should be severely punished. Responsible comrades of relevant departments should personally organize their subordinate organs to make an overall inspection of the prices charged for the above-mentioned means of production since 1 January this year. Cases found to have exceeded the authority granted for control of commodity prices, or which involve price-raising either of one's own accord or indirectly, or the charging of special fees, must be summarily dealt with in accordance with the regulations of the central government and of the provincial authorities.

6. Bringing the Role of Central Cities and Towns Into Full Play and Promoting the Joint Development of Economies of Cities and the Countryside

Guangzhou is a central city along the coast. It possesses such special features as a relatively good industrial foundation, relatively developed domestic and external trade, relatively convenient and fast communication and transportation facilities, relatively speedy and accurate economic information services, and a fairly high level in science and technology. Under the leadership of the province, we should take an active part in formulating the planning of the Zhujiang Delta Economic Zone with Guangzhou as the centre, bring our superior conditions into full play and make the needed contributions to the economic development of the entire province.

For a relatively prolonged period, our city has been enforcing the practice of the "city administering the counties." As a result, certain experiences have been gained on this score. At present, in view of the new situation, we must further deepen our understanding of the significance of such a measure and earnestly perform a good job in this connection. The outlying counties subordinate to our city embody rather large production potentials. This is an important guarantee for our city's fulfillment of the Sixth 5-Year Plan and realization of the target of quadrupling the gross value of industrial and agricultural output within the next 20 years. We should lead and guide the outlying counties in developing their economy and their educational, scientific, technological and cultural enterprises. At the same time, we should make good use

At the vast rural market and the developed rural economy of the outlying counties to promote the development of our own urban economy. We should combine the city and the countryside into an organic whole, carry out unified plans, rationally organize production and circulation, help each other, and thus form an even bigger combined force, bringing into full play the superiority of the union of the city and the countryside.

We must expand the power and authority of the outlying counties, continue the policy of readjustment and create even more conditions for their economic development. Each and every department in the city should show its superiority, effect unified control and management of work in the city and the countryside, and earnestly support and guide the development of the rural economy and of other enterprises. Industrial departments should carry out a unified plan on developing industry in the outlying counties and endeavor to achieve the objectives of rational division of work as well as development. Concerning products which both the city and the countryside can produce and which do not require very complex production techniques, they may be parceled out for production in the counties (districts), or be produced jointly by the city and the counties (districts). We must actively provide the necessary technology, equipment and materials to assist the countryside in opening up and utilizing energy resources and in promoting diversified operations there. Commercial departments should actively facilitate the circulation of commodities between the city and the countryside, accelerate the flow of industrial products into the countryside and perform a good job in the purchase, transfer, or shipment of agricultural and sideline products. At the same time, based on conditions of the localities and market needs, they should provide aid to the communes and brigades, specialized households, and new combinations in determining the direction of production and operation and supply them with timely market news and information so that in developing commodity production they may accomplish the objectives of making their products marketable and getting them to the market promptly. Economic and commercial departments handling foreign trade should, based on the conditions of the natural resources, native special products and industrial and agricultural production of the counties (districts), help them to set up bases of export products for the development of foreign trade. Departments taking charge of tourism and the service trades should earnestly help the outlying counties to perform a good job in building tourist points so as to develop the tourist trade. By granting loans, financial departments should support production development in the countryside. Scientific and technological departments should send teams to the countryside to disseminate scientific knowledge and help to develop scientific and technological enterprises there. Municipal construction departments should vigorously help the counties (districts and market towns to perform well their construction jobs so that they truly become the economic and cultural centers of the areas and serve as the link or bridge joining together urban and rural areas.

On top of rigidly controlling population growth, fully utilizing the natural resources, maintaining an ecological balance and protecting the environment, outlying counties and the countryside should do a good job in reforming the agricultural structure. They should insist on taking the line of serving the urban areas and thoroughly implement the policy of "never relaxing on grain production" and fervently developing diversified operation. They should take

the road of the all-round development of agriculture, forestry, animal husbandry, subsidiary production and fisheries and of the comprehensive or joint operation of agriculture, industry and commerce. They should greatly raise the "commodity rate" of their products, increase the production of agricultural and sideline products and other industrial raw materials. Gradually help to raise our city's self-sufficiency rate in subsidiary food products and make even greater contribution to supporting the city and supporting industrial production. Construction in the mountain areas should be strengthened. Forestry production should be greatly developed. We should also enforce the system of the "three fixtures" (fixing the ownership right of hills and forests, fixing the self-retained portion of mountainous area and fixing the forestry production responsibility system), carry out well the development of small hydroelectric power stations, and earnestly solve such problems in mountain areas as those concerning communication, opening up of energy resources, and circulation of materials and commodities. We should intensively propagate and implement the spirit of the directive of the CPC Central Committee on "Certain Problems of the Current Rural Economic Policy." We should continue to stabilize and perfect the various forms of the household contract responsibility system linking remuneration to output, greatly supports specialized households and combined entities, and actively organize contracting of a developing or promotional nature. We should quicken the steps taken in segregating political and social work and establish well the political power of the districts and villages. We should set up and perfect a science and technology promotional system in the countryside, expand the ranks of scientific and technological personnel there, popularize scientific and technical knowledge on agriculture, actively promote the technological contract responsibility system with payment linked to output, carry out scientific farming, make use of science and technology to open up production lines, raise the processing intensity of agricultural products, and generally perform well technical service work to production.

Our city not only should take up leadership and guidance work over the counties under its administration but also should develop economic liaison with various localities both inside and outside the province and expand the economic combinations. The provincial people's government has decreed that our city should help the Miao and Li Nationalities Autonomous Zone of Hainan Island in developing their economy. We must therefore actively render them aid. In addition, we should extensively carry out economic and technical cooperation and promote mutual development with other counties and cities inside this province and with other provinces and municipalities, following the guidance of the state plan and base on the principles of economic rationality, reciprocal cooperation, mending the shortcomings with the strong points and mutual benefit.

1. Vigorously Developing Educational Enterprises, Speeding up the Training of Talents and Bringing the Role of Talented People Into Full Play

In this new era of socialist modernization, talented people play an exceedingly important role. Without a large number of talented personnel who have modern knowledge and are conversant with the situation on various sides, construction of the four modernizations will be impossible.

We must place great stress on development of the intellect and on speeding up the training of talented personnel. Governments at various levels must definitely assign an exceedingly important position to cultural construction focussed on developing education, science and technology. They should strengthen their leadership work, gradually increase the requisite expenses and train up talented personnel by various ways and means. They should actively promote education for young children, improve and strengthen primary schools, consolidate the junior middle schools and raise their quality, readjust and restructure senior middle schools and energetically develop vocational and technical education and training. The party's educational policy should be carried out in an all-round way, a good job should be done in building up teachers' corps and cadres' corps, and we should in real earnest improve the quality of education. To perform well the work on kindergarten and primary and junior middle school education, it is not sufficient to rely on the strength of the educational departments and schools alone. Rather, we must depend on support from the various sectors of society. Indeed, we must open wide the door of establishing schools. On the one hand, we must strive to conduct well existing schools for children of Overseas Chinese and, on the other hand, we must protect and arouse the enthusiasm of Overseas Chinese in establishing schools. By the year 1985, primary education will be universally popularized throughout the entire area while junior school education will be popularized in the city area and in small cities and towns in the countryside. Reform of the structure of secondary school education must be stepped up; vocational and technical education must be energetically developed; training of teaching personnel for vocational and technical education must likewise be stepped up; the practice of inviting qualified scientific and technical personnel and expert workers or talented artisans to take part-time or concurrent jobs, or to give lecture in vocational schools should be encouraged; and plants, mines and enterprises should be encouraged to establish schools or to work jointly with educational departments to establish schools. By 1985, enrollment of students in vocational schools and agricultural middle schools will make up 20 to 30 percent of the total number of students in senior middle schools. Graduates of vocational schools will be recommended for jobs by labor departments and employing units may select the best among them for employment. Alternately, labor service companies may help and organize them to look for employment or the graduates may be encouraged to find employment themselves. At the same time, secondary specialized education and higher education must be actively developed and efforts must be made to put in good shape the Guangzhou Middle School, the Guangzhou Teachers' College and the Guangzhou Educational Institute. We must complete the uncompleted capital construction projects in institutions of learning. Teaching equipment must be substantially increased. We should tightly grasp the preparation work on the establishment of the Guangzhou Vocational College. Simultaneously to develop higher education we should institute such educational forms as broadcasting and television colleges, correspondence schools, spare-time colleges, employees' and workers' schools, and evening colleges. We must greatly strengthen the education of employees and workers and peasants. Enterprise units should organize their young employees and workers to take up cultural and technical supplementary studies so that by 1985, we shall have basically completed the tasks of giving the employees and workers make-up or supplementary training on culture of the primary-middle grade and technology of the primary grade. In the countryside, we should energetically develop spare-time cultural and technical education

and place the emphasis on elevating the cultural, scientific, and technological level of cadres at grassroots level and among rural technical personnel, specialized households, exemplary households and intellectual youths. We should obliterate illiteracy among the young people. We should encourage social bodies and individuals to establish various kinds of cultural or technical continuation schools or classes. In policy and in organization we should adopt measures and create the necessary conditions to encourage self-training and self-studies and accord them the acknowledged status, or standard, of successful participants in state-prescribed examinations or of graduates of schools of equivalent standing.

Recently, at the First Session of the Sixth NPC, Premier Zhao Ziyang pointed out: "The unified control and rational use of scientific and technical talents constitute at the moment a most urgent problem demanding solution." He advocated five measures to be adopted from now on in this connection. We must firmly carry them out. We should continue to eradicate the influence of "leftist" thought and bring into being a social atmosphere which respect knowledge and respects the intelligentsia. We should bring into full play the role of the talented people currently available. We must as soon as possible unearth, and make good use of, talents hitherto unknown or hidden. As for those who have not been used properly and could not fully display their capabilities, this should be immediately readjusted. In the case of scientific and technical personnel who have been "stockpiled" and wasted, or assigned jobs not in line with their training, or jobs in which they were not skilled, readjustment should likewise be made in a planned manner so that they can be put to rational use and everybody can display his or her capabilities. Aside from organizing and readjusting, we should allow scientific and technical personnel to enjoy freedom in employment provided their looking for jobs is under proper guidance and is done in an organized and rational manner. Simultaneously, among the scientific and technical personnel there should be mutual exchange of their knowledge and knowhow. Subject to the logical premise that their status of belonging is not changed and that they must fulfill first the tasks of their own jobs, scientific and technical personnel may be loaned out, or take concurrent or part-time jobs in other units, or render occasional help in technology, or answer queries on technology, or accept technical contract responsibilities. Politically, leadership at various levels should show their concern with intellectual elements, continue to improve conditions in their work, study and livelihood and enable them to fully display their talents and wisdom. We should further perform well our work in connection with the intellectual elements among the Overseas Chinese and the compatriots in Hong Kong and Macao, and strive to make them serve the four modernizations of the motherland by using their advanced scientific and technical knowledge, cultural attainment and skill in management. In particular, toward the intellectual elements among the returned overseas nationals and family members of overseas nationals, we should show our respect, confidence, concern and care. We should love and protect their enterprising spirit and enthusiasm and allow them to bring their talents into full play. The vast masses of intellectual elements should more earnestly study Marxism, and Mao Zedong Thought, join with reality and with the populace, and continuously renew and display their knowledge and talent in service of the Socialist enterprises.

8. Rigid Control of Population Growth and Enforcement of Birth Control

Enforcement of birth control is a basic national policy of our country and must be carried out well. In 1985, the population birth rate of the Guangzhou area will be controlled to under 15.3 per thousand and the natural population increase rate will be kept under 10 per thousand. In order to realize this objective, governments and leadership cadres at various levels should earnestly step up their guidance over birth control work and see to it that this work is consummated in all five areas of ideology, organization, planning, policy and measure. We should carry out birth control propaganda work in a sustained manner, increased the understanding of the vast masses of cadres and people concerning the importance, urgency and strategic significance of population control and augment their awareness of its importance. We should teach the masses to abandon their feudalist concept of preferring male children to female infants and of drowning female infants should be determinedly prohibited and the more serious cases in this respect should be prosecuted. We must firmly and untiringly advocate late marriage and late birth of children. We must determinedly implement the spirit of the No 11 directive of the central authorities last year and accomplish the following: In cities and towns only one child should be born to a couple; in the countryside, a couple should have only one birth, place two births under rigid control, and completely banish more births. This year, we should firmly carry out the arrangements made by the province, namely, those already having one child should use contraceptives whereas those who have two children should go through sterilization by preventive surgery. Corrective measures must be taken as soon as possible against unplanned pregnancy cases and strenuous efforts should be made to control the population natural growth rate at 15.1 per thousand. We must set up a post responsibility system having charge of birth control work. Public health departments should organize and train up technical teams on birth control, strengthen technical guidance over birth control, and ensure the quality and safety of the necessary sterilization surgery.

We must in real earnest adopt effective measures to control the mechanical growth of population in cities and towns. We must rigidly control the inflow of people into Guangzhou City. From now on, newly established enterprises should be located in the outlying districts, or in market towns or in the counties. In cases of land requisition involving "change of agricultural population to non-agricultural population," we should insist on changing to the same locality the registration for residence and for grain tickets, thus avoiding transfers into the city area.

9. Further Improving the Material and Cultural Life of the Populace on Top of Production Development

1) To perform well the job of controlling market supply and the general level of commodity prices, we should maintain a basic balance between the purchasing power for social commodities and the available supply of commodities, on the basis of increasing production and carrying out circulation well. The supply of articles for daily use must be plentiful and varied. The supply of the major subsidiary food products such as pork, fish, eggs and domestic fowls must maintain a definite growth rate in conformity with the increase in market purchasing power. We must improve the quality of the vegetables and effect a balance in their supply and demand. We must speed up the building of cold storages and

of commercial network stations such as grain shops, firewood and coal stores and meat and vegetable markets along the border areas and in industrial and mining districts. We should gradually restore and build new warehouses and exchange points to facilitate the flow of agricultural and sideline products into the cities. We should continue to strengthen the control of markets and commodity prices, and sternly enforce discipline concerning commodity prices. All prices and standards for the collection of fees fixed by the state should be closely adhered to; any changes without authorization must be prohibited. Commodities under the rationing system must be supplied at the retail sales prices fixed by the state. Negotiated prices for commodities should follow the principle of "small profit but a large volume of sales," and negotiations should be so handled as to stabilize prices in the country fairs. We should further step up the inspection and supervision of commodity prices and sternly deal with all parties found to have violated the price policy and the regulations related thereto.

2) We should rebuild and increase public utilities in cities and towns. We should further increase the water supply capacity so that by the year 1985, the daily water supply capacity in the city area will be 2.05 million tons, an increase of 250,000 tons over 1980. Waterworks in county cities and towns should likewise be rebuilt and expanded; the quality of their water supply should be improved and their water supply capacity should be increased. We should grasp well the work of reforming the water supply system in the countryside. We should step up the development of coal gas supply for civilian use. In addition to striving to increase the supply of liquefied petroleum gas, we should intensify the preparations for the establishment of the city's gasworks. Construction of postal and telecommunications networks should likewise be speeded up. In 1985, the number of telephone sets in the city will be increased to 51,000 sets, from 22,300 sets in 1980. In regard to long-distance telephone facilities, the state has decided to construct the 1800-channel cable running from Guangzhou to Changsha, Hankou and Beijing and to open up the 2,700-channel microwave telecommunication system between Guangzhou and Hong Kong. We should extend our fervent support to these projects and strive for their early completion.

3) Striving hard to perform well communications construction. In the next 2.5 years we shall complete the extension and expansion of five roads, these being Nanchang Road, Wushan Road, Xingang Road, Guangzhou Dadao Road and Tianhebei Road. We shall rebuild and widen the section of Zhongshan Road in which the Dongshan Cinema is located, and also widen the junction section of Yingyuan Road and Hefangbei Road. The road sections adjoining the two ends of the Huizhu Bridge, Renmin Bridge and Zhujiang Bridge will be widened. We shall complete construction of the highway flyover across the Shiweitang Railway, the grade separation at Quzhuang, the Zengbu Bridge, Fanvu Dashi Bridge and Zhujiang No. 3 Bridge. We shall start preparation work on building the Luoxi Bridge, construct four flyovers across road sections known to have traffic congestion, add 122 buses to the omnibus system, and expand and newly build a number of parking stations.

4) Performing a good job in providing employment. During the period of the Sixth 5-Year Plan, arrangements are being made to provide employment to some 308,000 youths awaiting employment. Aside from the arrangements already made,

in the next 2.5 years, we must still find jobs for some 110,000 people. We shall resort to various means and channels to provide employment to these youngsters. In the meantime, all the relevant departments should closely work together to continue to support the development of collective economy, cooperating in various direction such as arranging for, or providing, grounds for premises, loans and materials, commodities, and so on. Existing cooperative societies for intellectual youths should be consolidated and improved; more such new societies should be organized and we should in real earnest perform well the job of giving the youths awaiting employment the necessary pre-employment coaching and training. We should continue to encourage the youths to find jobs for themselves and to appropriately develop individual economy.

5) Stepping up building of residences. In the Sixth 5-Year Plan period, it is planned that for the entire city and its subordinate areas a total of 6 million square meters of housing will be built (of which 3.6 million square meters are inside the city proper). In the past 2 years, 3.14 square meters (of which 1.5 million square meters are inside the city proper) have been built. We shall strive hard to achieve the objective that by 1985 the per-capita housing space will grow to 5 square meters as against 3.97 square meters in 1980. Peasants' residences should be built in strict accordance with the regulations. Random building of houses on cultivated farmland should be strictly prohibited. In the urban areas, residential construction should follow systematically the "six unified measures" (unified planning, unified land requisition or evacuation or demolition, unified designs, unified building jobs, unified accessory structures and unified management). In raising the necessary funds and in procuring construction materials, we should resort to various channels. In the allocation and distribution of housing, we should follow the established policy, firmly insist on the popular line, and truly allow the populace to do the supervision work. All evil winds and practices in the building and allocation processes should be severely dealt with. Houses in perilous condition should be immediately attended to and repaired. We should continue to implement the policy concerning private dwellings and tightly grasp and handle the leftover problems from the transformation of private dwellings in the urban areas. We should earnestly solve the housing problem of the "four categories of people."

6) Tree planting and environmental protection. In the final stage of the Sixth 5-Year Plan, construction will start on the public parks, the Huangpu Park and the Nanshantou Park. We shall, wherever possible, plant trees and flowers so that by 1985, the "greenery-covered" rate will be 29 percent as against 21 percent in 1980. We shall step up the handling of the "three wastes," and in the industries great progress will be made in treating injurious and waste gases, dust, waste water and residues. We shall strengthen residential noise suppression and prevention of noise pollution, to safeguard the health of the people.

7) Performing well the jobs in medical services, public health, and environment sanitation. We shall continue to insist on the policies of taking prevention as the primary task, paying due regard to both the urban and rural areas and combining the use of Chinese and Western medicine. We shall gradually reform the existing medical system, strengthen the management of the various grades of medical and sanitation measures, upgrade the quality of the medical and clinical services, improve the attitude and service of the practitioners

and attendants, earnestly perform a good job in preventing and curing diseases and continuously raise the level of public health among the populace. In the last 3 years of the Sixth 5-Year Plan period, 1,881 hospital beds will be added and a portion of the medical and clinical equipment will be renovated. Health protection among women and children will be strengthened. Working conditions in disease-preventive stations at various levels will be improved, so that they can better perform the tasks of disease prevention and supervision of public health. We shall earnestly enforce the food sanitation laws and perform well the work in connection with food sanitation. We shall continue to foster and develop the patriotic sanitation movement of a popular nature, increase environmental public health facilities, continue to rebuild and newly build public toilets, improve in a planned manner the sanitary conditions of gullies, streams and water outlets inside the city, install and perfect the responsibility system, fully arouse the enthusiasm of the public health workers, perform well sanitation work in public toilets and along the streets and public thoroughfares, and further enhance the level of environmental sanitation of our city.

8) Development of cultural and recreational enterprises. Surrounding the central theme of continuously improving the quality of the spiritual products, we should further perform well the readjustment of the cultural enterprises, of restructuring them, consolidation of their teams and personnel, and construction of the fundamental measures, so as to meet the diversified needs of the populace who are of different ages, engaged in different professions, and have different likes and dislikes. We should, in real earnest, carry out the policy of "letting one hundred flowers blossom and one hundred schools of thought contend," and endeavor to create and make available more and better spiritual food which is well liked by the populace. We should reinforce and develop cultural arts which have special Guangdong characteristics. As for spiritual products with evil influence and effects, we should take steps to rectify them. We should sternly prohibit the organization, without authorization, of actors or actresses to stage shows of a business or a money-making nature. We should perform well construction of the city public arts gallery and cultural halls in the various counties, and the construction of the Guangzhou children's cinema, Guangzhou library for youths and children and the Guangzhou art gallery. We should collaborate with the province in building the Guangzhou educational television station. We should energetically promote and develop recreational activities of a popular nature, and grasp well the formation of specialized teams in soccer, badminton, waterpolo, basketball, and so on, in this way continuously raising the level of athletics and sports in the city. We should improve a number of recreational measures, install airconditioning equipment in the Guangzhou recreational hall, and complete the building of the Yenzi Gang Athletic Field.

10. Intensively and Persistently Carry Out the "Five Stresses, Four Beauties, And Three Loves" Activities

Developing the above-mentioned activities is an important content in our building of socialist spiritual culture with communist ideology as the nucleus. These activities must be developed in a penetrating and sustained manner so as to train up a new Socialist generation of people who are thoughtful, of strong moral fibre, cultured and discipline-abiding. We should tightly grasp and

strengthen this central link of ideological and political work and intensively proceed with education in patriotism, collectivism, socialism and communism. At present, we should in real earnest organize the vast masses of cadres, employees and workers to study the "Collected Works of Deng Xiaoping," in combination with intensive studies on the documents of the 12th CPC National Congress and documents of the First Session of the 11th CPC Central Committee," and Comrade Chen Yun's important dissertations. Through these studies, the extensive masses of cadres and people will be able to enhance their understanding of the party's road, guideline, and policies since the 3d Plenary Session of the 11th CPC Central Committee, to better maintain their conformity ideologically and politically with the party Central Committee, consciously and thoroughly carry out the spirit of the 12th CPC National Congress and the First Session of the Sixth NPC, and strive hard to build a new situation in socialist modernization construction. We should also extensively promote and develop the book-reading activities for "China's Developments." We should penetratingly develop the "learn from Lei Feng, Zhang Haidi and An Ke" activities. By means of a series of educational activities, we should make people of the whole city more fervently love the motherland, fervently love socialism, fervently love the party, increase their confidence in the ultimate realization of the strategic target by the end of this century and consciously and enthusiastically work hard to realize the fulfillment of the Sixth 5-Year Plan of the city. And we should imbue them with the ideology of whole-heartedly serving the people, implant a communist attitude of work, abide by the professional moral code, correctly handle the relations between the state, the collective, and the individual, and resolutely and overcome all tendencies of "looking merely for money." Guangzhou is close to Hong Kong and Macao, and since foreign intercourse is frequent and numerous, it is centrally subjected to the influence of capitalist ideology and living habits. We should therefore earnestly carry out the anti-corrosion struggle. We should educate the populace not to view television broadcasts from Hong Kong and should sternly prohibit the circulation of reactionary and immoral books, pictures, or cassettes. Gambling should be suppressed and we should strongly oppose feudalism, superstition and vulgar or low-class recreational activities. Simultaneously, we should step up cultural construction, and employ socialist ideology to occupy the cultural fronts in the cities and countryside.

The various trades and industries, based on the activities of the "civility and courtesy month," and demonstrating the spirit of the saying that "all depends on human effort and we must be insistent and persistent and take a step forward to look for concrete results," should advance further and look at the situation of "filthiness," "confusion," and "deviation." They should render good services, establish good order, and create a good and beautiful environment. In treating "filthiness," we should do our management work strictly and meticulously and endeavor to be "regular" and systematized. Units and localities which have basically solved the problem of filthiness should turn their attention next to being tidy, to planting more trees and flowers, and to being generally presentable. Units and localities which have not yet solved this problem should redouble their efforts in this connection. In particular, attention should be paid to the "dead corner" in sanitation. We should strictly enforce the "Trial Measures of Improving the Appearance of Guangzhou City and on Sanitation Control," and also enforce the system of holding each month a "people's sanitation day." Moreover, we should form more inspection corps to look after the city's appear-

ance and sanitation matters and we should improve and perfect the post responsibility system. In treating the "confusion" problem, we should strictly enforce the "Trial Measures on Traffic Control in Guangzhou City," and continue to consolidate and improve order in communication and in public places. As for treatment of the "deviation" problem, the various "window" trades and industries including the commerce trade and the service trade must all tightly grasp and grasp well, this problem; cadres, employees, and workers in various trades and industries must be asked to perform well their own jobs in a highly efficient and praiseworthy manner. We must earnestly and thoroughly implement the "civility pledge of people of Guangzhou City," continue to intensively develop the "five-good family" and the "five-good building" (courtyard, street, alleyway and village) activities, and let the new wind of civilization and civility blow to each and every corner of the city.

11. Display Socialist Democracy and Strengthen Construction of the Socialist Legal System

We must repeatedly propagate the basic spirit and basic contents of the New Constitution, propagate the Socialist moral standard, popularize legal knowledge and make people of the whole city firmly entrenched in socialist legal concepts so that in their work and activities they can strictly abide by the constitution and the relevant legal statutes. Government employees should be exemplary in abiding by the constitution and the various legal codes. We should respect the democratic rights of the masses. We should, with an unprejudiced mind, listen to the views of the populace and consciously accept their criticism and supervision. We should expand socialist democracy to various sides including political life, economic life, cultural life and social life. Concurrently with fully demonstrating socialist democracy, we should energetically step up the construction of the socialist legal system. We should reinforce the building of political and legal public security corps, upgrade the political quality of the public security police, raise their technical capacity and enhance their fighting spirit. We should unceasingly carry out anti-espionage education among the masses. We should relentlessly empower the political and legal public security departments to exercise their dictatorial authority against spies and special agents, determinedly suppress all counterrevolutionary activities, continue to deal heavy blows at criminal activities in the economic sector and other sectors of the city. In particular, we should heavily and swiftly punish, according to law, those elements who seriously endanger social security, such as murderers, arsonists, robbers, rapists, assassins carrying bombs, persons throwing poison into wells, thieves, and important elements among gangs of hooligans. As for smugglers, peddlers of smuggled goods, narcotics dealers, persons forcing, enticing, or harboring women to commit prostitution, and persons who duplicate and spread immoral and dirty articles, they should be punished according to law. Security control must be stern and severe. We must enforce the policy of composite handling and positive security measures. Various departments, various units and people of the whole city should actively take part in this composite handling work and endeavor to make it reach all sectors. We should consolidate, improve and perfect the security protection responsibility system in the enterprises, government organs, and public bodies. We should mobilize the populace to formulate street residents' pacts, rural regulations and people's pacts, and work regulations, fully foster and display the people's enthusiasm as masters, and consciously protect social security and abide by

social ethics. We should further consolidate the reform-through-labor camps and strive to perform well the job of helping and teaching youngsters who have committed minor crimes. We should well perform the tasks of mediating and smoothing out internal conflicts and disputes among the populace. By means of the various kinds of work mentioned above, we should try to realize [word indistinct] early moment the basic turning for the better of the social atmosphere and social security.

12. Stepping Up Management and Control of Towns

In cities and towns, the various aspects of administrative work such as city planning, construction, communications, security, land utilization, land requisition, demolition of buildings, housing, water supply, sewage, telephones, roads, planting of trees and flowers, city appearance, environmental protection, public health and so forth are all inseparable from the problems of management and control. To a certain extent, city management is much more complex than city construction. Concurrently with carrying out city construction work, we should strengthen city management and control. First, we should continue to perform well city planning work. Concerning regulations for the city as a whole and regulations for the districts which have been formulated, we should further improve and enrich them and tightly grasp and organize their implicit enforcement. Second, we should strengthen legislation work on city management and effect its enforcement. It is true that in the past 2 years, the city people's government has successfully formulated and promulgated relevant regulations and measures of control covering environmental protection, traffic control, city appearance and sanitation, but in the main, regulations governing city management and control are still imperfect and must be quickly formulated or replenished. Once the control and management regulations are promulgated, there must be established a special department and a specially assigned force to take charge of inspection and supervision, so that we may enforce the principle that "there must be laws to rely on, that laws must be sternly enforced, and that law violations must be prosecuted." Third, we should strengthen the control and management structure. In fact the city has already decided to establish a municipal administration bureau and a communications and traffic administration bureau for the purpose of strengthening and substantiating management and control work in this connection. Fourth, there must be a clear demarcation of the functions of the city, districts and streets in city management and control and in this connection we must bring the functions of the districts and streets into full play. Everybody has a responsibility in this work and various units and the vast masses of people in the city must enthusiastically take part. They must in real earnest carry out the various regulations, maintain and protect public properties, and devote concerted efforts to building Guangzhou into socialist modernized city which is economically prosperous, spiritually civilized, politically stable and unified and good-looking and tidy in appearance.

III. Strengthening Unity, Improving the Quality of Work and Striving Hard to Fulfill and Overfulfill the Sixth 5-Year Plan

The city government at various levels and its subordinate departments have charge of the important task of carrying out the Sixth 5-Year Plan of our city.

In order to smoothly complete their various tasks, they should continue to restructure well their administrative organs. Reform of the structure of units of municipal grade must be completed before the third quarter of this year. In the fourth quarter, we should proceed with the restructuring of the structures of first grade organs of districts and counties. Governments at various levels must be built into administrative organs which are capable, highly efficient and in close touch with the populace. In fact, the central link of this reform is to readjust well the leadership ranks. We must follow the principle of seeking expertness and efficiency and must fulfill the demands that the personnel should be revolutionary in character, young, expert in knowledge and specialized in training. To fill leadership posts at various levels, we must select comrades who are of good moral character, capable, young and healthy, imbued with a certain amount of organizational ability and possessing a cultural standard equivalent to graduates of senior middle schools, or preferably of universities and specialized institutions of learning. We must also give due note to the selection and training of women cadres. Concerning old comrades who have retired, we must be highly responsible for their future welfare, make good arrangements and provisions for them, and, wherever possible, take various measures to provide them work within their capacity so that they may continue to display their ability. In reforming the structures, we must also determine the duties and scope of work of each and every organization and set up therein different forms of the responsibility system. At the conclusion of the reform on the structures, the cadres must go through further training, preferably in separate groups and at different periods.

Government organs should display their traditionally superior workstyle. Under the present conditions of implementing the policy of opening the country's doors and the continuous rise in living costs, government cadres at various levels should all the more accomplish the following: 1) They must wholeheartedly serve the people. All government workers must strictly observe discipline, be earnest in performing their duties, refrain from seeking private gains, be in close touch with the populace, be concerned with people's ills and sufferings, diligently and faithfully serve the people, and condescend to act as the people's public servants. 2) They must engage in difficult and bitter struggles and diligently and frugally handle all affairs. They must observe economic and financial discipline, oppose waste and extravagance, and firmly resist all activities that endeavor the interests of the state and the people. 3) They must overcome bureaucratism, raise their efficiency and improve and perfect their work system. The post responsibility system must be installed. From the leadership cadres down to the common employees and workers, each and every one has his or her assigned task and is responsible for its fulfillment. Requests for directions and reports from subordinates should be promptly attended to, and each and every one of them answered. Meetings and documents must be short and concise. 4) We must do investigation and research work, know and understand new conditions, sum up new experiences and solve new problems. In particular, concerning important policies and measures, we should first carry out discussions and listen to views from old cadres, scholars and specialists and intelligent people in the society, to ensure the making of correct decisions. 5) We must do a solid job, be down-to-earth in handling matters, accomplish results and refrain from formalism. After arrangements for work have been made, we should follow up with supervision, inspection, and summing up, carrying through to the end so as to accomplish results.

We should strengthen the building of political power at the grassroots level in the cities and countryside. Political organs in districts and the countryside formed after the separation of street offices and the communes should, in strict obedience of the constitution, laws, legal statutes and administrative regulations, take charge of the administrative work in the areas and perform well the job of building socialist material civilization and socialist spiritual civilization in those areas. We should step up the formation of residents' committees and villagers' committees, improve and reinforce the organs taking charge of public security, mediation and arbitration work, lessen their unnecessary burden, and enable them to concentrate their strength on attending to the public affairs and public welfare affairs in their respective areas, to mediate disputes among the residents, to help in the maintenance of social security and constantly to reflect to the people's government the views, demands and suggestions from the populace, in this way fully displaying the role of autonomous or self-governing organs of the people.

We should continue to strengthen the great union of workers, peasants, intellectual elements, people of various circles and people of various nationalities. We should also continue to thoroughly carry out the CPC's united-front policy, further develop and expand the patriotic united front, and mobilize all the active elements to fully display their role in the gigantic enterprises of socialist construction and effecting Taiwan's return to the fold of the motherland.

In this new historical period, Overseas Chinese affairs have become all the more important. The vast masses of Overseas Chinese nationals and compatriots in Taiwan have always fervently loved the motherland and their home towns and villages. In our city, we have a large number of returned Overseas Chinese and their dependents. They are related to thousands of Overseas Chinese and compatriots in Hong Kong and Macao. We should fully realize that the large number of Overseas Chinese nationals and compatriots in Hong Kong and Macao constitutes in itself an advantageous condition for our city's construction. We should therefore really and earnestly perform well our overseas affairs work and bring its role into full play. We should further implement our policy concerning Overseas Chinese affairs. We should tightly grasp and handle well the leftover problems affecting residences of Overseas Chinese nationals which had been forcefully occupied during the period of the "Great Cultural Revolution" and likewise clear up the finishing work on the leftover problems concerning the seizure of houses of Overseas Chinese during the land reform. Moreover, we should continuously perform well the job of supplying commodities to Overseas Chinese who are making purchases from abroad. In the case of Overseas Chinese remitting funds to the city for the purpose of building houses, we should definitely offer our help to solve the relevant problems such as land procurement, provision of construction force, supply of construction materials, and so on. We should reinforce liaison with our Overseas Chinese nationals and compatriots in Hong Kong and Macao, accord them a cordial reception, and thus further consolidate their warm feelings toward the motherland and their home villages and towns.

We should strengthen the work on construction of the militia and treat militia work in the same category as running a business. We must open up the new road of "carrying through organizationally, politically and militarily," and bring its role into full play in construction and protection of the four modernizations. Moreover, we must perform well the task of supporting the army and giving preferential treatment to families of revolutionary armymen and martyrs, strengthen union between the army and the government and between the army and the people, let the army and people jointly build the "two civilizations," and bring into being a new type of army-people relations.

We should perform well foreign affairs work, develop relations with friendly cities and towns in foreign countries, increase the friendship with people of various countries, and promote and facilitate mutual exchange and cooperation in economic matters and trade, in science and technology and in culture and recreation.

Dear deputies!

We have an exceedingly glorious and exceedingly difficult task before us. The situation is extremely good but the difficulties are numerous. Let us, under the leadership of the Guangdong CPC Provincial Committee, the provincial people's government, and the Guangzhou CPC Committee and abiding by the direction of the 12th CPC National Congress and the spirit of the First Session of the Sixth NPC, unite in one heart and soul, be practical and realistic, go all out, strive hard in work and, with full confidence, engage in the struggle to fulfill and overfulfill the Sixth 5-Year Plan of our city, to create a new situation for the socialist modernization construction of our municipality, and to promote the vigorous development of the Chinese nation!

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ECONOMIC PLANNING

TONG DALIN VIEWS CHANGZHOU'S ECONOMIC STRATEGY

HK310310 Beijing RENMIN RIBAO in Chinese 22 Aug 83 p 5

["Investigation Report" by Tong Dalin (4547 1129 2651): "Changzhou's Favorable Conditions and Strategy"]

[text] In order to revive the economy of China, it is necessary to develop a large number of well-known socialist economic cities. Changzhou is an outstanding example among the medium-sized cities which has become the focus of the attention of the whole country. I visited Changzhou twice in the first half of this year. During my tours, I was always pondering over two questions: What are the favorable conditions and the special characteristics of Changzhou? And what is its strategy in economic development? The comrades of Changzhou whom I met presented many valuable opinions which throw light on these questions. Here, I would like to present my own views.

The first feature of Changzhou's strategy in economic development is to give full play to its own favorable conditions. What favorable conditions does Changzhou have? The following four points have most impressed me.

1. Among the medium-sized cities throughout the country, Changzhou city has a relatively solid industrial foundation. It ranks among the most advanced cities both in terms of gross industrial output value and average per capita income.

Changzhou city has a population of 500,000 (400,000 people in the urban districts and 100,000 in the suburban districts). At present, the 10 principal industries of the city are: textile industry, light industry, garment industry, plastics industry, electronics industry, engineering and metallurgical industry, tractor industry, chemical industry, medicine industry, and building materials industry. According to 1982 statistics, there are 418 industrial enterprises in the city with a total of more than 270,000 staff and workers and more than 7,000 engineers and technicians. The city's gross industrial output value totals 3.867 billion yuan and its financial revenue totals 532 million yuan.

The 1981 figure of the city's national income is \$1,617 per capita.

These are the economic strength and the basic favorable conditions of Changzhou. It was by no means easy to acquire these favorable conditions. They resulted from the outstanding work of the leaders of Changzhou who, despite restrictions

by and interference from various levels, departments, and regions over a long period, have set up a rational industrial structure in the city under unified guidance and according to the law of development of Changzhou as an industrial city, and have given full play to the comprehensive economic strength of Changzhou as an industrial city, and have given full play to the comprehensive economic strength of Changzhou as a central city. This is a very important experience.

2. In acute economic competition, quite a lot of industrial products of Changzhou have taken the upper hand of their rivals in terms of quality all the time.

Changzhou produces more than 3,000 industrial products, of which 101 have won "gold medal prizes," "silver medal prizes," and other high-quality awards. These are very outstanding achievements of the city which reflect its favorable conditions in the technical and management fields.

3. With a fine cultural tradition, Changzhou has had a large reserve of talented people in every period.

Changzhou is an ancient cultural city with a long history of over 2,500 years. Lu You (a famous poet in the Song dynasty) acclaimed Changzhou as a city which "led the southeast in cultural development." Gong Zizhen (an outstanding essayist, poet, historian, and philosopher in the late Qing dynasty) also pointed out that "Changzhou was an incomparable place in the southeast which attracted a galaxy of talent." Xiao Yan, the "poet king" during the southern and northern dynasties, was a native of Changzhou. His eldest son, Crown Prince Zhaoming was also a famous writer, whose master piece "Literary Selections Edited by Crown Prince Zhaoming" included all the best poems and essays written since the Jin and Han dynasties. Chen Ji, the chief editor of the great "Yongle Encyclopedia" compiled in the Ming dynasty, was also a native of Changzhou. In the early Qing dynasty, the great artist Yun Nantian founded the 'Changzhou Painting School.' During the reign of Qianlong and Jiaqing emperors, Yun Jing and his friends founded the "Yanghu Literary School." In the latter period of the reign of Jiaqing emperor, Zhang Huiyan founded the "Changzhou Poem School"; and in the same period, Zhuang Cunyu and Liu Fenglu founded the "Changzhou New Text School of Confucian Classics." The oft-quoted and widely loved verse--"Talented people come forth in different times and each dominates the academic circles for several centuries" was written by Zhao Yi, a Changzhou poet.

The revolutionary martyrs Qu Qiubai, Zhang Tailei and Yun Daiying, known as the "three heroes of Changzhou," were all natives of Changzhou. A fine tradition is also a very favorable condition and invaluable resources which should be cherished and carried forward.

4. Changzhou is one of the cities designated for the nationwide experiment of reform in the economic system. The city has taken a new road by starting the reform and a number of economic reformers have emerged. For sure, the reform has already been extensively carried out in Changzhou. All levels, from cadres to the masses, are earnestly engaged in the reform. This is a very conspicuously favorable condition which is, in a certain sense, of decisive significance.

The development of a modern economy may probably undergo a short golden age but will never be long-lasting without an ever exuberant initiative.

The above four favorable conditions of Changzhou are not a bestowal of nature but the product of the integration of hard work and wisdom of the Changzhou people. These favorable conditions are not acquired by chance but are the accumulative result of sustaining toil. Only conditions like these can have long-standing and far-reaching influence.

Now, the question is how should Changzhou stride along from the available favorable basis? The comrades of Changzhou already have a lot of good ideas. Here I would like to talk about my own views.

1. Modern Economy and the Opening Up of Market

The development of modern large-scale economy is different from that of small-scale production in the past. The most essential difference between them lies in their dependence on the market. The development pattern of small-scale production economy is resources-technology-market. If you have a certain type of resource, you will develop the corresponding skill and techniques to exploit this type of resources, and then process the raw materials into the corresponding products and sell them in the nearby marketplace. Therefore, resources are the factor of prime importance to small-scale production. Everything is out of question without resources. However, the development pattern of modern large-scale economy is just the reverse: market-technology-resources. Here, market is the first factor. Without a market, socialized mass production will be completely meaningless, thus there will be no need to develop advanced technologies to mass-produce commodities and, of course, no need to exploit resources raw materials. In socialized mass production, the resources themselves become commodities which can be purchased from the market. Therefore, the type and size of the market determine the technique to be developed and the value of the resources. In short, market plays a decisive role in the case of modern large-scale economy. As everybody knows, Japan is a country short of resources and its economic development is world market-oriented. For a long time, the Japanese slogan has been: "building the country's prosperity on the basis of trade." They have devoted great efforts to studying and opening up the world market. As a result, Japan's economy took off after the war, its iron and steel output exceeded 100 million tons, and, finally, the country became the No. 2 economic power in the world. The case of Japan shows that the open market is a fundamental favorable condition in the development of modern large-scale economy.

When talking about market, we of course mean that importance must be attached to the international market. Nevertheless, we still have to make a careful study of the domestic market. Our country has a vast territory and a population of 1 billion. This is an incredibly enormous market. It is in aiming at this vast market that foreigners wish to develop trade with us. Foreigners watch and study our market everyday. However, we ourselves have never paid much attention to it. This is indeed an abnormal phenomenon. It is really a pity that "we fail to appreciate the favorable conditions we possess." For this reason, Changzhou should take the study and the opening up of the domestic market as strategic tasks.

of course, we must pay special attention to the domestic urban market. However, the rural market is by no means negligible. There is a population of 800 million living in the rural areas of our country. Rural areas are the major part of the market whose potential should never be underestimated. As the purchasing power of the rural areas was low due to the long-standing influence of the "leftist" errors, this market failed to play its due role in the past. However, since the 3d Plenary Session of the 11th CPC Central Committee, China has witnessed miraculous development in agriculture. As the peasants' initiative in production has been brought into play to an unprecedented extent, they have begun to become rich. A tremendous purchasing power is the result of the prosperity in the rural areas. And opening up this market means a boom of the latent power in economic development.

The most important step toward opening up the market is to strengthen our adaptability to the change in economic capacity. Over a long time, we used to insist that the market can be opened up as long as we can keep prices low. In fact, this is not necessarily true. To be certain, prices must be kept low when purchasing power is low. However, people are getting rich now, and some of them even disdain to buy cheap commodities! Of course, it will not work if prices are set too high for consumers to buy. So, the key is to appropriately adapt prices to the purchasing power of consumers. We also used to hold that the more durable goods are the better received ones. However, the design of goods is equally important today, and not all "longevity brands" are necessarily well received. Based on this understanding, we must pay attention to tapping the economic capacity of the market while opening up the market. We should give up the idea of squeezing money from consumers as soon as they get rich--this is one concept of old-fashioned businessmen. The times have changed now. In order to get money for ourselves, we must help consumers to get rich first. We must be earnest in helping rural and inland areas. In introducing advanced technology and providing funds to rural areas and enhancing the economic capacity of the rural and inland markets, we are actually opening up a new market at a higher level for the next state of our economic development.

By and large, marketing is a rich and colorful discipline of science. In order to develop a modern economy, it is necessary to have a profound grasp of it.

2. The Strong Industrial Branches and the Quality Products

Although Changzhou has a solid economic foundation, it may lose such a favorable condition if it diversifies its force. Moreover, the market is "open to the public." As everyone can enter the market, there will naturally be competition. In order to raise one's competitive power, one must concentrate one's relatively strong economic capacity on promoting one's specialized products and strong industrial branches.

In choosing the strong industrial branches to be developed, we must not only consider the existing solid basis but must also take the organic links between different strong industrial branches. With such organic links being built, these industrial branches will be interdependent and will complement and support each other. Thus, by joining forces, they will be able to stand the test in the acute competition and develop steadily. Otherwise, an isolated industrial branch will inevitably suffer repeated setbacks despite existing favorable con-

ditions. Of course, these organic links must be built up step by step. Once the strategy to promote the strong industrial branches is fixed, we should concentrate our efforts on building an organic group of strong industrial branches and, first of all, the "pillar industries" of this group. Such a core can consist of one or several industrial branches. But there must be a limit to the number of these "pillar industries," otherwise they will no longer be pillars or the really strong ones. To ensure that they can play their due role, the "pillar industries" still need a number of "supporting industries." In addition, in order to make sure that the resources and the products (including byproducts) of the "pillar industries" and the "supporting industries" are comprehensively utilized in an optimal way, we must also develop some "sideline industries." The pillar industries, the supporting industries, and the sideline industries together form an "industrial community." They are interdependent and help each other to produce the optimal comprehensive economic results and to maintain a sustaining common prosperity like a "phytocommunity" is performing its phytoecological function. Of course, the lineup of strong industrial branches and its community are by no way invariable. Everything has to undergo the course of birth, growth and death. In the course of economic activities, some industries gradually decline while others become the "growing points" of new favorable conditions. Therefore, it is necessary to notice the new development in good time and constantly make appropriate adjustments. It is necessary to constantly reclassify industries and enterprises into three groups, namely, the developing industries (enterprises), the existing industries (enterprises), and the declining industries (enterprises). Only through the cycle in which the new supersedes the old can economic prosperity be everlasting. In other words, a city and an area must not only have a rational industrial structure but also "adaptability" or, more precisely, have the ability to constantly adjust the industrial structure and the product mix according to market developments.

In the final analysis, all strong industrial branches must produce quality products. Failing to produce quality goods, an industrial enterprise will have no competitive power in the market, even if it is the first to open up the market.

The term high quality has a broad definition. It is not only related to the specifications and the quality of the products themselves, but should also include the package design which must be attractive, easily stored and transported, and so on. In other words, it denotes the overall quality of a product, covering the whole process from production to marketing to the consumer. In addition, high quality should also include the design and the variety of products. Demand and taste vary from person to person. This mentality is more obvious when the people's livelihood is improved. Our products must meet the demand of the people. The higher degree the consumer is satisfied to, the broader the market and the more prosperous the economy will be. On the other hand, as the demand of market is everchanging. It is necessary to unremittingly develop new products. With respect to economic management, in order to develop new products, we must enhance our ability to develop new products. And, in order to enhance our ability to develop new products, we must pay attention to two aspects. First, we must vigorously promote the production of basic components. Thus, we will be able to assemble various new products. In developing a new product, we do not have to replace every old component with a new one. Thus, a cycle may last several years to more than 10 years. The main form of

the basic new products is synthesis. Just select several basic components, add newly developed spare parts, assemble them, and then a new product is born. We used to overlook the development of basic components for many years, and insisted on developing completely new products. Thus, a new product is not necessarily new when it is put into production. Second, we must enhance our scientific research ability. It is necessary to make scientific research an inseparable part of economic work and to rely on scientific and technological progress to revive the economy. With scientific research ability and technical reserve to carry out scientific research, we will be able to continuously supply new products of high quality to the market, and to always be in an invincible position in the competition for market. The competition in market is in fact a competition of technology. Whoever has advanced technology will be able to produce high quality products and be the first to occupy the market.

What is the industrial economy of scientific research type? In my opinion, it has two features. The first feature is that scientific research must be carried out in every link in the chain of economic operation. Comprehensive scientific research in different perspectives must be carried out not only in the field of development of new products, but also in other fields, ranging from market forecast to production, circulation and consumption. The second feature is that scientific research is a matter concerning not only natural sciences but also social sciences. Market forecast, development strategy, scientific management, and so on must involve the efforts of social scientists and economists. Modern economy is a large-scale economy, and economic problems are big and comprehensive problems which can never be solved without cooperation between natural scientists and social scientists. In brief, only when equipped with the above two features can an industrial economy be regarded as a complete industrial economy of scientific research type. We hope that Changzhou will become the first industrial city of scientific research type in our country and that the products of Changzhou will win the strong confidence of consumers and be regarded as the synonym of high quality in the market.

3. Competition Between Technical Personnel and Investment in Intellectual Resources

Market competition is in substance technical competition, and technical competition is, in the final analysis, competition between technical personnel. Laborers are the most active element of productive forces, since economic development must depend, in the final analysis, on the labor and wisdom of men. Changzhou should conscientiously give full play to its available favorable conditions in this respect.

In the years of revolutionary war, we built up a powerful revolutionary armed force and won political power in the country. Today, in order to build a modernized China, we must depend on a strong contingent of intellectual laborers. This contingent of intellectual laborers should consist of the existing different types of intellectuals, the broad masses of educated workers, peasants, and PLA fighters, and educated and professionally competent cadres at all levels. At the same time, we must devote special effort to cultivating a large number of socialist reformers and practitioners one group after another. Without these leaders, the reform will not be able to be carried on and to win one victory after another. We must establish the new concept that reform and pioneering work are glorious and the mentality to stick to old ways is shameful. In order

to become socialist reformers and modernization practitioners, we must be equipped with knowledge of natural sciences and social sciences, and be politically, literarily, and artistically accomplished. At the present stage, we must give priority to raising the intellectual level of cadres because they are undertaking important tasks in command and administrative posts. Even those cadres who are promoted from professional and technical personnel or who are college graduates should constantly "renew their professional knowledge" and attain higher intellectual levels. Knowledge always becomes outdated.

Socialist construction is the common undertaking of hundreds of millions of people. Every laborer must be equipped with modern knowledge. Without this basis, we will not be able to bring about a prosperous economy. Of course, they may cost some money. Such an expenditure, called investment in intellectual resources, is worthwhile, because we will surely reap a good harvest in economic development if we make an investment in intellectual resources today.

4. Economic Development and Social Capacity

As a kind of social activity, economic activities are naturally closely linked with other social activities. An economic system is not closed but open, operating and developing under different conditions which are related to the outside world. The capacity of external social conditions confines the extent of economic development. For example, if we disregard ecological balance and environmental protection and let the situation become aggravated to a certain extent, the economy will be gradually suffocated. An American scientist points out that a series of crises will emerge as a result of the aggravated disharmony between the economy and society. The 1980's will witness the crisis of land. According to him, in selling grain every year the United States, acclaimed as the country with the most developed agriculture in the world, is actually selling its land. As the organic substance in the soil on the earth's surface in the United States is declining every year and the situation is going from bad to worse, no crop will survive in the country in the future. Other scientists believe that the most terrible crisis in the future will be the crisis of water. Man has to drink water, and both industry and agriculture need water. How can there be no crisis when water is polluted? Has Changzhou made a test of the percentage of organic substance in its soil? What is the declining rate of organic substance? Has Changzhou worked out a plan for the exploitation of its water resources? As the saying goes, a person who has no anxious thoughts for the future will find trouble right at hand. The city may probably find itself puzzled by economic stagnancy some day. I hope this will never happen. Besides, urban communications are the lifeblood of economic operation, social order is the guarantee for economic activities, and so on. All these problems must be taken into overall consideration. By and large, if we only pay attention to the development of economy and forget to constantly expand social capacity, society will suffer "dropsy" as a result of economic expansion, and thus the economy will be hindered from further development. In order to ensure a constantly growing economy, the development of the people's livelihood, urban construction, ecological environment, and so on must be well coordinated. We must adopt this strategic concept right now.

With the approval of the State Council, Wujin, Jintan, and Liyang Counties were merged into Changzhou city to form a small-sized economic zone in March this year. Now, the reform in the economic system is an important task before us. In other words, we are required to organize production and circulation and to develop a centralized socialist market in accordance with the needs of socialized large-scale production. More precisely, we must organize different types of economic activities centering around cities and according to the internal relations of economic development, and must break up the barriers between different areas, between different departments, and between urban and rural areas. Changzhou has already put forth a series of reform plans according to these principles and has begun to carry them out. We are eagerly looking forward to a larger number of valuable contributions made by the Changzhou people both in terms of theory and practice.

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ECONOMIC PLANNING

PRC IN YEAR 2000 DISCUSSED AT SYMPOSIUM

OW311313 Beijing XINHUA in English 0815 GMT 31 Aug 83

[Text] Hefei, 31 August (XINHUA)--A symposium on "China in the Year 2000" was held at scenic Huangshan in Anhui Province between 26 and 31 August.

Two hundred scientists, engineers and managerial personnel from across the country attended the symposium sponsored by the Chinese society of future studies. Nearly 100 papers were presented, dealing with China's national and regional development strategies, strategies for economic scientific, technological and social development, as well as with issues related to population, energy, urban construction, communications and cultural development.

Planning and forecasting centers of various central government departments and localities and scientific institutions are actively engaged in the program--"Studies of China in Year 2000"--with a view to exploring the best ways to achieve the goals set at last year's party congress for the year 2000, that is, quadrupling China's industrial and agricultural output by the end of the century. The program also aims at proposing solutions to possible problems that may crop up in the course of development. This will provide the proper authorities with a scientific basis in making decisions and plans.

The Chinese society of future studies, set up in early 1979, has branch societies or preparatory groups in most parts of the country. The Huangshan symposium, the first it has held, reviewed the results of the society's participation in "China in Year 2000" program and discussed how to advance the theory of future studies as a branch of learning and further refine the methods used.

Participants noted that future studies in China is receiving ever wider attention and enjoys government support. They agreed that efforts should be made to make up for deficiencies in the study: forecasting is divided along departmental lines rather than being unified; and studies are more of a forecasting and descriptive nature than advancing options for policy making.

It is learned that the technological-economic research center of the State Council, of which the noted economist Ma Hong is the director-general, and the Chinese Association for Science and Technology will hold a large-scale symposium next year on the results of "studies of China in the Year 2000." The more than 100 societies affiliated to the association are expected to report on their work then.

The research center and the association held a joint meeting last May calling on all members of the societies to take part in the program. The two organizations set up a liaison office to coordinate their efforts.

The Chinese Society of Future Studies has established ties with international academic bodies in this field including the "World Future Studies Federation," the "International Futurability Association" and the "Club of Rome." It has also sent delegates to a number of international conferences and played host to scholars from the United States, Japan, Italy and Morocco.

The society publishes a quarterly, FUTURE AND DEVELOPMENT.

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ECONOMIC PLANNING

QINGHAI LEADER CALLS FOR LARGE-SCALE DEVELOPMENT

HK210548 Xining Qinghai Provincial Service in Mandarin 1100 GMT 20 Aug 83

[Excerpts] The Qinghai Provincial CPC Committee work conference which opened on 8 August concluded yesterday. Provincial CPC Committee Secretary Zhao Haifeng delivered a summation report titled: "The people of all nationalities in the province should get mobilized to create conditions for the large-scale development of Qinghai." On behalf of the provincial CPC committee, he called on the cadres, party and CYL members, and people throughout the province to work hard with firm confidence, and brand-new attitude, full enthusiasm, and soaring will to greet the arrival of large-scale development of Qinghai.

The work conference was attended by over 1,000 responsible party member cadres of the provincial organs, all departments, and the provincial military district. All of them went to the People's Hall to listen to Comrade Zhao Haifeng's speech.

Comrade Zhao Haifeng said: This conference has seriously conveyed and studied Comrade Hu Yaobang's important speech delivered during his inspection of our province, and studied the question of concentrating finances and material to ensure key construction work. The comrades have held serious discussions centering on the topic of creating conditions for the large-scale development of Qinghai. They have thus unified their thinking, enhanced their understanding, got a clear idea of the tasks and boosted their zeal. Comrade Zhao Haifeng concentrated on four issues:

1. Fully understand the importance of Comrade Hu Yaobang's speech delivered during his inspection of Qinghai and apply its spirit to unify the thinking and action of the cadres, party members, and masses throughout the province.
2. Firmly embrace the guiding idea of comprehensive agriculture and create conditions for the large-scale development of Qinghai.
3. Support and ensure key construction work and fight a successful first battle for developing Qinghai.
4. Brace revolutionary spirit, improve leadership style, and strive to create a new situation in work in Qinghai.

Speaking on the first issue, Comrade Zhao Haifeng said: In light of the spirit of Comrade Hu Yaobang's speech, we have four main deficiencies: 1) We are content with things as they are and have not sufficiently emancipated our minds; 2) we lack strategic vision and have failed to sufficiently consider construction in Qinghai in connection with the overall economic development of the whole country; 3) we have failed to carry out systematic investigation and study and also to get a sufficient grasp of strategic planning and other work for Qinghai's future development; 4) we have a sense of inferiority and have failed to carry out sufficient propaganda on the Qinghai's development potentials and excellent prospects; we lack heroic ambition to develop Qinghai and change the province's backward state as soon as possible.

Comrade Hu Yaobang stands high and sees far. His speech was really one of foresight and sagacity; it has brought about a flying leap in our ideological understanding, emancipated our minds, and broadened our vision, with the result that we can see the prospects and feel encouraged and more confident. We must eliminate the negative feelings and pessimistic ideas of underestimating our own capabilities and attempting nothing and accomplishing nothing, correctly understand Qinghai, and carry out extensive propaganda for Qinghai, so as to brace people's spirit and mobilize the forces of all sectors for the great struggle to develop Qinghai.

On the issue of firmly embracing the idea of comprehensive agriculture, Comrade Zhao Haifeng said: We must embrace the guiding idea of comprehensive agriculture in developing agriculture and animal husbandry and focus our vision on the comprehensive utilization of [words indistinct]. We must carry out all-round development of agriculture, forestry, animal husbandry, sideline occupations, and fisheries, and also pay attention to service work before and after production, such as work regarding fine seed, fertilizer, plant protection, processing, storage, transport and supply and marketing.

We must clearly understand that in developing agriculture and animal husbandry, we should mainly rely on relaxing and perfecting the policies rather than on money from the state; we should apply the policies to mobilize the enthusiasm of the peasants and herdsmen and tap the potentials of millions of households for developing production. We must vigorously advocate planting trees and grass and getting rich through hard work. We should actively promote diversification.

On the issue of ensuring key construction work and fighting a successful first battle for developing Qinghai, Zhao Haifeng said: All the key projects arranged for Qinghai by the state during the Sixth 5-Year Plan are under the category of energy, communications and transport, and basic industries. Those key projects in which construction has already started or soon will start represent a very important beginning in developing and building Qinghai and are of major significance for leading forward the development of the province's local industry, vigorously developing the economy, attaining the strategic goal of quadruplication, and changing the backwardness of Qinghai. We must regard supporting key state construction work as an unshirkable duty and take effective steps to ensure the smooth progress of these projects.

in the fourth issue, Comrade Zhao Huifeng stressed: The large-scale development of Qinghai is a great economic cause that will require the unremitting efforts of two or three generations. In particular, Qinghai is located in a high, cold plateau, with weak economic foundation and backward science and culture. We are sure to encounter many difficulties and problems on the way ahead.

We communists are revolutionaries whose main task is to transform the subjective and objective worlds. We acknowledge the difficulties, but we are not afraid of them. Our party has forged ahead in the past several decades amid continual struggle against difficulties. In the struggle to develop Qinghai, we must precisely rely on the people's dauntless and heroic spirit of the foolish old man removed the mountain to overcome all the difficulties and hardships and create brilliant achievements.

We must resolutely change the current bad practices of talking much but doing little, indulging in bureaucratism, performing duties in a perfunctory manner, and passing the buck. We must advocate going deep into reality and the grassroots and getting to the frontline.

Comrade Zhao Huifeng stressed: Doing a good job in unity is the basic guarantee for developing Qinghai and building the four modernizations. He hoped that army and people, cadres and masses, people of all nationalities, Han and minority nationality cadres, new and old cadres, and cadres from elsewhere and local cadres would all unite still more closely and work in concert to overcome difficulties and make a success of Qinghai's affairs.

(Ref: 4006/787)

ECONOMIC MANAGEMENT

CONFERENCE HELD ON ENTERPRISE CONSOLIDATION

HK 100331 Lanzhou Gansu Provincial Service in Mandarin 1100 GMT 29 Aug 83

[Summary] "Last night, the provincial CPC committee and government held a telephone conference on consolidating the enterprises throughout the province. The meeting called on leading cadres at various levels to be determined to do a good job of enterprise consolidation and to bring about a fundamental change in the quality and capacity of enterprises.

"The meeting relayed the spirit of the national forum on industrial and transport work. Provincial CPC committee Secretary Li Ziqi and Governor Chen Guangyi spoke at the meeting."

The meeting held that although we have made a certain breakthrough in enterprise consolidation, we still fail to suit the needs of the situation in our consolidation work. Some departments and localities have failed to break new ground and some have conducted consolidation work in an unsatisfactory or perfunctory manner. Most enterprises do not attach sufficient importance to the problem of improving quality.

"The meeting pointed out that the quality and economic results of the enterprises in our province are poor. Not only are many of the economic and technical targets lower than the average levels of the whole country, they also fail to reach their own previous best levels. Situated in a remote area, our province has a long communications line and our foundation is also relatively poor. In a certain sense, we are competing on an unequal footing. Leading cadres at various levels and all enterprises should gain a clear understanding of this situation and be determined to do a good job of enterprise consolidation."

The meeting deemed it necessary to consolidate all existing enterprises in 7-8 years at a high quality level. In the course of enterprise consolidation, all leading bodies at various levels should set strict demands on enterprises, inspect them, enforce discipline, and exert pressure on them so that they can forge ahead. It is necessary to face up to the contradictions and, proceeding from solving the key problems of enterprises, to promote the consolidation of enterprises in various aspects. Efforts should be made to finish consolidating and readjusting the leading bodies of enterprises at the county level by the end of this year. It is necessary to conduct consolidation work with the spirit of

reform, devise new methods, bring about a new atmosphere, and open up a new situation. We should take the attainment of better economic results as our point of departure and as our underlying object, lay a solid foundation, achieve better quality, and increase variety.

CSO: 4006/787

ECONOMIC MANAGEMENT

TIANJIIN ENTERPRISE MANAGEMENT ENHANCEMENT URGED

SK250317 Tianjin City Service in Mandarin 1430 GMT 24 Aug 83

[Station commentary: "The Key to Increasing Output and Economic Results by Practicing Economy Lies in Strengthening Management"]

[Excerpts] All shortcomings, exposed among enterprises, such as excess looping, costs and waste, are closely connected with backwardness of management. At present, problems existing in varying degree among some enterprises, such as raising the cost of raw materials, excessively increasing the expenditure of workshops and enterprise management, upgrading the reject rate of products and increasing the number of equipment accidents, are directly related to bad management. Therefore, the key to increasing incomes by increasing output and curtailing expenditures lies in consolidating enterprises, strengthening enterprise management, ferreting out loopholes in management, and in tapping enterprises' latent power by improving management. Judging from problems currently, stemming in some enterprises in regard to low economic returns, after enterprise consolidation, it is necessary to strengthen management in the following aspects: 1) It is necessary to improve management and administration; and 2) It is necessary to strengthen technical management. In addition to strengthening management and administration and technical management, enterprises should also exert efforts to strengthen the management of fixed quota in output and fixed number of employees.

In strengthening enterprise management, special attention should be paid to integrating administrative command with democratic management. One-sidedly paying attention to giving administrative orders and paying no attention to democratic management will cause enterprises to lose a leg. Administrative command will have the highest authority only when it is placed on the basis of democratic management. Then the enterprise management will be able to attain rich results. The important content of democratic management is to give full scope to the role of staff workers' congress. At present, efforts should be made to organize representatives of staff members and workers to inspect wastes occurring in enterprises, to discuss measures for increasing output by practicing economy, and to carry out socialist labor emulation drive so as to strive to fulfill or overfulfill the 1983 production plan and the state's assignment of revenues.

GSD: 4006/787

CONSTRUCTION

CARRY OUT STATE CONSTRUCTION CIRCULARS TASKS

REK21122 Guiyang Guizhou Provincial Service in Mandarin 2300 GMT 20 Aug 83

1. According to GUIZHOU RIBAO, the provincial government convened a telephone meeting yesterday evening. The meeting put forth in five points their opinion on the results of the implementation of the two urgent circulars issued by the central authorities, and urged various prefectures and departments to conscientiously and strictly carry out the government's directives concerned.

2. Initial results of the check carried out in the previous period show that more than 600 projects among the local capital construction projects in our province were not covered by or went beyond the state plan. In some cases, the scale of projects were arbitrarily expanded; in some others, the building standards were raised without approval. In addition, some units went beyond the state plan and recklessly started construction projects and projects. These cases are really serious.

3. Referring to the urgent circulars of the State Council on keeping the scale of capital construction under strict control and ensuring the construction of key projects, and in light of the actual situation in our province, the meeting put forth that it is necessary to discriminate between different cases and determine projects not covered by the state plan. More than 50 percent of projects must be stopped or suspended. The investment scale of some projects must undergo adjustment. The construction scale of some others must be reduced, and a small number of them are subject to special consideration. Since last time was not carried out thoroughly enough, various prefectures and departments must make the best of use of their time to carry out further work and make supplementary reports by the end of August. The responsible persons in progress in their units which are not covered by the state plan for the current check will be liable to prosecution and economic penalty.

4. The responsible people of the provincial government delivered speeches at the meeting. They urged various prefectures and departments to honestly carry out the directives of the central authorities to the letter to ensure the construction of key projects and the success of the four modernizations--stopping all projects which should be stopped, putting into operation all projects which should be put into operation, and refusing to accept those projects which do not warrant acceptance. They strongly emphasized that the urgent circulars issued by the central authorities must be taken seriously, and conscientiously implemented in a down-to-earth manner. No one is allowed to take a perfunctory attitude toward the circulars or simply disregard them and do what they like.

END (1/1)

LABOR AND WAGES

REFORM OF LABOR FORCE STRUCTURE

HK290855 Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 83 pp 75-77

[Article by Liu Yingge [0491 5391 2960] of the China Social Sciences Publishing House: "On the Direction of Reform of China's Labor Force Structure"--dated September 1982]

[Text] The reform of the labor force structure is one aspect of expanded reproduction; its particular characteristic is that transformation and the exploitation of productive potential are carried out not in the material, but in the human sphere. For this reason, the question requires our adequate attention.

1. The Present State of our Country's Labor Force Structure

Our present labor force structure is not in keeping with the daily developing forces of production. This is manifested in the following:

1. The level of cultural knowledge is not high, and that of technical ability is also relatively low. The average educational levels within our country's enterprises reaches only lower middle school standard. If we add laborers in agricultural production departments, the level is even lower.

2. The proportion of auxiliary laborers working directly in the service of production is too high. In 1960, the state required that the amount of nonproduction personnel in enterprises should generally be maintained at 15 percent or less of the total workforce in those enterprises, while in 1977 this figure was required to be kept below 18 percent; this in itself is by no means a low proportion, but this criterion has been exceeded now in many of our enterprises.

3. A considerable portion of the ranks of our productive laborers consists of older people; this is because many of our enterprises still use backward equipment and lack technological capacity, so that some production is carried out by relying on experience rather than on science. Therefore, some workers of 60 and above are kept on. In addition to this, the existence of certain specific conditions and objective reasons means that there exists within the ranks of our productive laborers a certain proportion of physically weak people. These people have basically lost the capacity

to take part in production, but are still kept within the enterprises; "each has his post, but does not exercise his duties;" and to a great extent, these people affect the normal process of production.

4. In our country, after taking part in work, and right up until he retires, a worker occupies a position in a production enterprise, except in the case of serious accident. No matter whether his technical level is compatible with the development of social production, or whether he undergoes physical change due to age, he remains from beginning to end a member of the productive labor ranks, and draws an increasing fixed income from the enterprise according to his time of service or his age. But this income is by no means based on the amount of labor he contributes to the process of production. Under these conditions, it is difficult to carry out the principle of distribution according to labor, and it means that we can only enhance our labor force through the standard retirement age, so that the expansion of the scale of social production is unable to keep pace with the growth in the ranks of laborers.

2. The Significance of Reforming the Labor Force Structure

1. The reform of the labor force structure can promote the liberation of the proletariat itself. Generally speaking, the labor force structure itself embraces two objective factors. One is quantity; the other is quality. In any situation of social production, the quantity and quality of the labor force structure affect production. But in any stage of socioeconomic development in which manual labor is dominant, the labor force structure affects production mainly by its quantity. For example, the expansion of the number of laborers is used to promote an increase in total social product, or labor is intensified to promote the increase in the total number of laborers in society, and so on. But with the advance of science and technology and the rise in the level of material production, the labor force structure begins gradually to affect production primarily in terms of quality. The development of social production itself places new demands on the labor force structure, which consist of demands for improved quality, or in other words that laborers become able to keep pace in their level of knowledge and technical ability with the development of material production. Socialist society is the first progressive, non-exploitative, nonoppressive society in the history of mankind; the public ownership of the means of production and the direct link between laborers and these means of production create the necessary social conditions for the development of the forces of production. But at the same time, it is necessary to make the utmost efforts to give laborers a grasp of a relatively high level of knowledge and advanced technology, so that they may use science and technology to transform production, and, in this way, on the one hand promote the development of the social forces of production, ultimately achieving mankind's ideal communist society, and on the other, achieve the liberation of the proletariat itself.

2. Through the reform of the labor force structure, we can gradually ameliorate and solve the employment contradiction. According to an analysis of our concrete situation in the present stage, from the point of view of population growth, it will be very difficult to solve the problem of excess population and to achieve full employment. This is because in a certain

period, our country's new productive forces will be at saturation point, and supply will exceed demand. For the whole of the 1980's, the state will continue to be under great pressure to solve the employment problem. Under normal conditions, for each 1 percent rise in the employment rate, a country's total national output value has to increase by 1.5 - 2 percent. According to the calculations of the departments concerned, between 1981 and 1985, our country will have to place 30 million people in the towns and cities in employment, and in order to do this, it must ensure an employment growth rate of 5.2 percent annually, which in turn requires a growth rate of 8 percent or above during the "Sixth 5-Year Plan;" however, the period of this plan is a period of economic readjustment, and it will be very difficult to achieve such a high employment growth rate during this period. Nevertheless, the reform of the labor force structure will enable us to achieve certain results.

3. How to Reform the Labor Force Structure Under our Present Conditions

At present, there are a great number of irrational factors in our country's labor force structure, and these must be reformed. Under present conditions, we must start with the following things:

1. Making the laborers in production departments more knowledgeable and more technically competent. In this aspect, we are primarily adopting the method of carrying out planned technical training and alternate training between learning and working for enterprise staff and workers. Within a period of time, we will raise the majority of, or all current productive workers up to higher technical level, and to a level of technical proficiency. In this way, we will enable them to meet the needs of the development, of social production.

2. Making laborers in production departments younger and healthier. Under present conditions, in which there exists a large new labor force, we must give full thought to the problem of how to employ them as quickly as possible. Because these people are full of spirit, and in good physical condition, most of them are educated to higher middle school level, and they have the knowledge and hard work, pick up new things easily, and earnestly want to contribute their strength to our country as soon as possible. However, we have not yet achieved an adequate understanding of the structure of the labor force structure, there is still the general feeling that there is a surplus of new labor force. At present, though the new labor force can be absorbed into the individual economy, this is not the best way of solving the employment problem. At the same time, we must pay attention to the fact that the inherent quality of the labor force required by the individual economy is different from that of the labor force required by socialized mass production. Due to the difference in the nature of the means of production and the methods of engaging in production, the former has lower requirements than the latter. If we ignore this factor, it will be easy to create wastage in the new labor force. Therefore, in order fundamentally to solve this problem, we must carry out simultaneous elimination and absorption through the reform of the labor force system. For example, if there is an ample supply of new labor force, we can further

reduce the retirement age of those laborers working in material production spheres, or adopt a system of "convalescence" for those laborers who, due to sickness, are unable to meet the needs of production. In the "convalescence" system, workers may be taken care of, or may volunteer to retire early. This section of workers also possesses a certain amount of surplus labor capacity, and may be assigned to social welfare work.

3. Appropriately streamlining personnel in excess of the needs of the production process. An enterprise is a production department; the personnel within it should be like the spare parts of a machine, each with his own function, and there should not be any overstaffing. If we allow inappropriate expansion of the proportion of laborers in the process of production, we will not only be unable to increase the total quantity of material goods, but will also create resistance to material production itself. For example, we will drop the average social labor strength of workers, increase the amount of wages and costs per product, and at the same time reduce economic results. Clearly, this should be an important part of the reform of the labor force structure.

4. We must fully solve the problem of employing technical personnel. Due to the irrational distribution of labor, and other factors, many technical personnel are unable to put their knowledge to use, and are in the wrong jobs. On the one hand, the state spends vast amounts of money on the selection and training of future socialist laborers, and hopes that once they begin working, they will play an even greater role than ordinary laborers, and use science to transform our forces of production. But on the other hand, due to the irrationality of assignment and employment, or a lack of security in their lives, these laborers who are able to undertake complex labor are unable to give full play to their roles. This wastage of labor resources, created by all sorts of different factors, has, over 30 years and more, grown to represent a huge loss in the human factor of social production, and therefore, we must dig out this portion of people, put them to use, and at the same time avoid the same thing continuing to happen in the future.

5. We must strengthen ideological education among workers. Over the past few years, the incentive system has been popularized in enterprises, and this close linkage of the interests of the workers and those of the enterprise has had the effect of promoting production. But in actual practice, certain tendencies have emerged; some enterprise leaders consider that production can only be increased through material incentives and bonuses, and that bonuses are the most effective way of promoting production; they basically negate ideological education. At the same time, some production workers work only for bonuses; if there are high bonuses, they work, and if there are small bonuses, they cease to work at all. Therefore, ideological transformation and ideological education should become one aspect of the reform of the labor force structure; only if laborers in a socialist society raise their ideological level will they be able to work with greater initiative, create more material wealth, and achieve the flourishing development of socialist construction.

CSO: 4006/785

INVESTIGATION

MINISTER OF RAILWAYS URGES SERVICE IMPROVEMENT

HR020934 Beijing GONGREN RIBAO in Chinese 24 Aug 83 p 1

[Article by Chen Puru, Minister of Railways: "Improve Railway Services by Setting Strict Demands"]

[Text] GONGREN RIBAO has successively carried news, a commentary, and an investigation report with regard to how the Shijiazhuang Railway subbureau has improved its railway services by relying on the masses and setting strict demands. This has greatly supported and inspired us in rectifying railway work style in an overall manner. All railway units must be able to draw inspiration from the experience of the Shijiazhuang Railway subbureau in improving railway services by setting strict demands, combine the experience of the Shijiazhuang Railway subbureau with the specific conditions of their own units, and achieve greater successes. I hope that the cadres and staff and workers of the Shijiazhuang Railway subbureau will guard against arrogance and rashness, and continue to go forward.

The quality of railway work style indicates the quality of party style. The 12th CPC National Congress has put forward the task of realizing a fundamental change for the better in social habits and party style. In railway departments, this must be manifested in realizing a fundamental change for the better in railway work style. Last year, we launched a campaign of "the people's railway for the people," the purpose of which was to enable the trains to "arrive in safety and on schedule," to "respect passengers and cherish goods," and to "render quality service." In April this year, we further proposed to bring forward production, raise economic results, improve service quality, reduce accidents, stop rough loading and unloading, and stop maltreating passengers. Recently, we have suggested dealing severe blows at robbers. We have made up our minds to carry through to the end the rectification of railway work style. This year we will strive for a new breakthrough in this respect. Next year we will strive for marked results. Within 3 years we will strive for a fundamental change for the better in railway work style.

To realize this aim, we must set high standards and strict demands. The basic experience of the Shijiazhuang Railway subbureau boils down to one phrase: It is necessary to set strict demands on leading bodies. Leading cadres must set a good example, be bold in subjecting staff and workers to discipline, pay close attention to actual results, and not seek after an undeserved reputation. They must carry out their work in a down-to-earth manner. It is also necessary to

set strict demands on staff and workers. All staff members and workers must observe rules and discipline, be masters of their units, adopt an active attitude toward their work, concern themselves with the overall situation, and constantly raise their ideological, technological, and vocational level. We must energetically praise good people, good deeds, and exemplary units. We must be bold in criticizing the backward and those who make mistakes. We must praise those who have accepted criticism, corrected their mistakes, and achieved successes, as the Shuangchengbao Railway Station has done. We must wage a resolute struggle against bad deeds and bad people. We must not tolerate or be soft on them. We must energetically deal with them.

Railway transportation is in full swing day and night. We must educate all staff members and workers to develop the spirit of fearing no fatigue and of being able to fight successive battles. At the same time, we must care for staff and workers and carry out ideological and political work among them in the whole course of railway transportation, and in readjusting, consolidating, and restructuring railway work. In the course of fulfilling railway transportation tasks, we must also strive to raise the level of spiritual civilization in railway transportation.

Railway transportation covers a wide range of contacts. To do a good job in railway transportation, it is necessary to have supervision and assistance from various aspects. This year, broadcasting stations and newspapers have given us assistance to our work. They have constantly helped us expose our problems and improve our work. In particular, they have played a good and promotive role in helping us overcome unhealthy trends in railway services. I hope that comrades of the press circles will continue to support our work and to supervise us in rectifying railway work style. Adopting a correct attitude, railway staff and workers, and railway cadres at various levels in particular, must modestly accept criticism by press circles and the masses, and conscientiously correct their mistakes.

CSH: 4006/787

TRANSPORTATION

DEVELOP TRADITIONAL MEANS OF TRANSPORT

HK011051 Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 83 pp 63-67

[Article by He Ronfei [0149 2837 7378]: "Vigorously Develop Transportation Operated by the People"]

[Text] Transportation operated by the people has a long history in our country. Since the founding of the PRC, it has further achieved great development. Before liberation, it existed in an individual ownership form and was scattered and decentralized in operation. Now, the principal parts of the traditional means of transport have been organized in the form of collective ownership. At the present moment, in our country there are nearly 10,000 transportation enterprises under the system of collective ownership. Employees and workers number more than 2 million people. They have 600,000 vehicles of various kinds and some 3 million tons of vessels in operation. The annual transportation volume is around 600 million tons. This is over 50 percent of the gross transportation volume of the localities, of which water transport makes up over 60 percent. Transportation operated by the people has become an important force in the field of transportation.

However, over many past years, particularly during the period of the "10 years of disturbance," weakened by the damages inflicted by the counter-revolutionary line of Lin Biao and the "gang of four," transportation operated by the people has been considered as a backward type of transport and has even come under the criticism of being a form of capitalist activity. In this way, it has suffered from rather serious damage. At present, there are still a number of comrades who do not understand the importance of developing transportation operated by the people. But in ensuring the progress, at a definite speed, of the national economy, we must vigorously step up the construction of communications and transportation. For this reason, based on the concrete natural condition and economic condition of our country, to vigorously develop transportation operated by the people so as to take over a share of the heavy burden of state-run communication and transport is an important phase of speeding up the development of the entire transportation system and satisfying the needs of the national economy. As early as 1956, Comrade Zhou Enlai, in his "Report Concerning the Recommendations on the Second 5-Year Plan for the Development of the National Economy," incisively pointed out the following: "At present, our country is short of the modern means of transport; our transportation

lines are insufficient and are widely scattered in an unbalanced manner, but at the same time we have a large number of wooden junks, vehicles drawn by animals, and other means of transport operated by the people. They are scattered widely throughout the country. Hence, for some considerable time, the latter means of transport will serve as an important supplementary transportation force in many localities, while in other localities they should serve at present as the principal transportation force. Therefore, we should fully utilize and appropriately develop the means of transport operated by the people." This directive embodies an important and realistic significance up to the present moment.

Hence, what is the means of rapidly developing these traditional means of transport?

I. A Clear Understanding of the Role of the Traditional Means of Transport in the National Economy Is a Logical Premise for Its Vigorous Development

Transportation operated by the people conforms with such phases of our national condition as the topography of our country, its temperature, and the degree of socialization of the productive force. It plays a useful role in developing production, satisfying the consumption needs of the people, increasing employment and providing funds for accumulation. It is a form of transport indispensable to modernized construction.

First of all, vigorous development of transportation operated by the people plays an important role in the development of the national economy in our country.

Means of transport operated by the people (particularly a portion of those which are manually operated such as wooden junks, vehicles drawn by human power, animal-drawn vehicles and pack animals) are flexible and lively in operation, can establish contacts far and wide, are readily adaptable, can negotiate narrow, winding lanes and roads with an uneven surface, and are able to reach distant mountainous regions and rural villages. In particular, concerning such tasks as short-distance transport, collection and distribution of sundry cargoes, and rendering aid to agriculture, the role that can be performed by transportation operated by the people frequently far surpasses that of modernized means of transport.

In transportation activities, short-distance transport is a form of transport which is most penetrating and most flexible and mobile. Like the numerous small blood vessels of the human body, it reaches to each and every corner of the cities and countryside in our country, linking the production, supply, and marketing of various kinds of commodities. It links trunk water and overland transport lines. Without a developed system of short-distance transport to support trunk transport lines, urban and rural economy cannot become lively. The basic demands of good-quality transport comprise such factors as safety, economy, speed, timeliness, shortened time required in the course of transport, enabling the enterprises to hold in reserve less amounts of raw materials and products, avoidance of stockpiling, speed up in capital turnover, and enhanced

to the results. In realizing the above-mentioned demands, fundamentally we must grasp well the concentration and dispersion of goods. Over many years, due to the thinking of the leadership stressing only trunk lines of transport and neglecting short-distance transport, the concentration and dispersion of goods has become a weak link in transport. This is one of the important causes of stagnating and impeding the flow of goods. Means of transport operated by the people, being small, lightweight and generally simple and readily mobile, have the advantages of causing few losses in transport but bringing about a low cost of production and good economic results, when employed in short-distance transport and in the collection and distribution of goods. This lessens the burden on the modern means of transport.

The rural area of our country occupies a vast territory and has a huge population but very poor communication facilities. Development of the traditional means of transport is thus an important factor for speeding up the development of the rural economy. For example, in order not to miss the proper time for farming but to carry out at the right time such jobs as sowing seeds, weeding, and harvesting and generally to perform a good job in farmland administration, it is necessary to transport between the fields seeds, chemical fertilizer, farm medicine and grain crops. Also, in order to fully display the superior features of the agricultural production of the localities, to give play to the strong points and to reject the weak points, and to step up division of work between the agricultural and economic zones, it is necessary to strengthen liaison in transport between the communes and production teams in the countryside; and in order to speed up agricultural development, it is necessary to strengthen economic liaison between the urban and rural areas, and bring about the timely transportation of the means of production for agriculture to the countryside and, conversely, of grain and agricultural and sideline products to markets in cities and towns. Following the third plenary session of the 11th Central Committee, the various economic policies with a bearing on the countryside have been implemented and commodity production and commodity exchange have been developed and there is an urgent need for smooth and uninterrupted conditions in communication and transport. Under the present conditions of our country, transport between the fields and short distance transport between the communes and production teams in the countryside and between the cities and the countryside are being carried out mostly in the form of transportation operated by the people.

Second, vigorous development of transportation operated by the people plays an important role in meeting the people's consumption needs and making provision for the people. Consumer goods needed by the people evolve from production to consumption only through transportation. In this regard, a great proportion of the transportation takes depend on the use of traditional means of transport. This is especially true in the case of the short distance transportation of goods between the countryside and the cities, between communes, between cities and towns and the city outskirts and between cities, railway or highway stations and the market places. Unfortunately, at the present moment, due to the heavy damage done to the traditional means of transport, a serious situation of dislocation

market production and marketing has developed. Thus, on the one hand, in certain localities stocks of agricultural and sideline products have accumulated and are awaiting transportation but, in the meantime, the goods have begun to deteriorate and consequently heavy losses are being incurred. On the other hand, a tense situation of supply lagging behind demand has developed in the markets and the people's consumption needs have been badly affected. Only by vigorously developing transportation operated by the people can the industrial articles for daily use produced in the cities be promptly transported to the countryside (particularly to distant and remote mountain areas) and can the agricultural and sideline products as well as special native products of the countryside (particularly in the remote mountain areas) be transported on time to the cities and towns. And only in this way can the deficit or surplus of goods between localities be adjusted, the commodity markets be enlivened, and the various kinds of livelihood needs of people in various localities be met. In order to facilitate meeting other needs of the people such as house moving, localities and towns and tourism in scenic areas, the use of ferries and other means of traditional transport will greatly help the development of the tourist and house-moving trades.

Third, transportation operated by the people has many other advantages. It can be mentioned as consumption of surplus labor power, providing employment, low transportation costs, high profits, ability to accumulate funds for the state and the collectives, increase of income for the individuals, and so forth. Moreover, the means of transport operated by the people (people's ferries) features as a low technological standard, can be easily constructed, require little investment but produce quick results. In view of the present condition of the shortage of modernized means of transport in our country, vigorous development of transportation operated by the people has the advantage of costing little but reaping much and is a very effective measure to raise our transportation capacity. It merits our great attention.

4. Formulation of a Correct Policy Is the Key to the Vigorous Development of Transportation Operated by the People

Since the founding of the PRC, experiences from both the affirmative and negative sides have amply testified that only in the existence of a correct policy can the development of transportation operated by the people be promoted. Over the past years, we have given to collective enterprises operating in this type of transportation little support but much restriction. This has largely affected its development and certainly needs further study and rectification. In my opinion, at present in formulating and carrying out the policy on transportation operated by the people, we should take note of the following points:

First, we should readjust and coordinate the relations between different ownership systems.

Collective and individual ownership systems constitute forms of ownership which are in liaison, or connected, with transportation operated by the

people's ownership by the whole people has fusion with modernized transport system. In transportation activities as a whole, in order to coordinate the relations between transportation operated by the people and modernized transportation so as to form a comprehensive transport capacity, it is necessary to coordinate the relations between the three kinds of ownership systems, namely, collective ownership, individual ownership, and ownership by the whole people. Unfortunately, for a prolonged period of time, "leftist" viewpoints have held that the wider the scope of the system of ownership by the whole people, the better, and that the degree of public ownership should be as high as possible. This has produced deep effects on the transport departments and encouraged them to adopt the policy of stressing transportation under the system of ownership by the whole people and overlooking that run by collectives and planning that operated by individual owners of the means of transport. In turn, this has resulted in an "extruder" type of ownership structure in which the system of ownership by the whole people "extrudes," or edges out, ownership by the collectives and the latter system of ownership likewise thrusts out ownership by individuals. These viewpoints have been well reflected in the determination of surges, demarcation of transport routes, supply of materials, allocation of technical force and welfare work for employees, etc. In social and economic activities, they have been further reflected in the disrespecting the ownership rights of enterprises under the collective system of ownership in regard to personnel, property, and goods. This is also reflected in the various relevant departments frequently, and under various pretexts, taking away, without compensation, labor power and the collective enterprises engaged in transportation operated by the whole people and transferring away properties and belongings of the collective enterprises, in this way seriously affecting the development of collective enterprises engaged in this sector of transport.

It has been realized that the present structure with its public ownership, collective ownership and individual ownership is a part of the transport department. It is a part of the productive forces in transportation. The three kinds of ownership systems have their own respective independent functions, and no one system is superior against the others. The public ownership system is enormous. Naturally, it must play the primary role in transportation enterprises. It must take the primary leadership in transportation but leadership does not imply overbearing and overstepping. In the contrary, state-owned enterprises should not be a hindrance in various fronts to collective enterprises and to individual enterprises in the transportation sector operated by the people. They should enable the latter to possess sufficient conditions to play their role in coexisting with, and supplementing, the modernized means of transport. This is one of the aspects of the coordination of the relations between the different systems of ownership. Another thing in this regard is that within the scope of transportation operated by the people, while adhering to the principle that the collective enterprises should have the leading role and individual ownership, for small-scale units, the relations between the two should be flexible. Finally, it is also at present in the transportation sector, the public ownership is not completely the leading position, so we must encourage the collective and individual

allowing individual operators in such matters as transport rates, large trucks, transport charges, and so on. We should liberalize the policy toward individual operators and allow them, under the general premise of strictly observing the policies and statutes of the state, to render service, to freely select their own clients, and to undertake long distance transport at random.

2. We should improve and rectify the existing eight-grade surplus-profit progressive income tax system.

The state is currently levying on collective enterprises engaged in transportation operated by the people an eight-grade surplus-profit progressive income tax. Enterprises are subjected to the following scale of tax rates: annual profit in excess of 10,000 yuan, 40 percent; annual profit exceeding 30,000 yuan, 50 percent; and annual profit exceeding 50,000 yuan, 55 percent. On this basis, in the case of an enterprise, the more developed its business production, the better its management and the greater its profits, the higher will be the tax rates levied on it and the heavier will be its tax burden. In effect, this hurts the enthusiasm for production on the part of the enterprise and its employees and workers and is disadvantageous to production development and to growth of the management. Because profits will naturally increase if the enterprise continues to expand their production, objectively speaking, the existing policy restricts the combination of individual transport and small enterprises. At present, the great majority of the enterprises engaged in this type of transportation can obtain annual profit exceeding 80,000 yuan. Thus, it can be seen that this tax policy imposes rather high tax rates on the great majority of enterprises. In view of the need for supporting and developing transportation operated by the people, we recommend that this progressive income tax be converted into a proportional tax and that the tax rates be lowered so as to benefit expanded reproduction on the part of the enterprises engaged in transportation operated by the people.

3. Supply of materials to enterprises engaged in transportation operated by the people should be incorporated into the state plan.

A large part of the state's supply of means of production to collective enterprises engaged in transportation operated by the people is not included in the state plan. In some cases, inclusion is made in the plan but the quantity supplied is not fixed and there are thus large gaps. For example, the supply of timber is only 20 to 30 percent of the actual quantity needed, and the supply of fuel oils is only 30 to 40 percent, and the remaining quantity must be purchased at rather high prices. The Hefei Municipal Transportation Company yearly needs 150 cubic meters of timber for production purposes but the state supplies only a little over 10 cubic meters and the company has to purchase at the high price of around 700 yuan per cubic meter from the market. At the same time, in the case of materials supplied under the state plan, the prices charged for those items supplied to state-run enterprises are lower than those supplied to collective enterprises. For example, fuel oils supplied to state-run enterprises are

departments in charge should categorically be denied admission into the transportation market. All vehicles and ships entering into the transportation market and engaging in the transport business must follow the prescribed transport routes and navigation areas and be subjected to the "three unified controls" (unified cargo sources; unified dispatch of transport capacity; and unified transport charges and payment) exercised by the communication control departments of the localities. In general, individual operators can engage only in short-distance odd-lot shipments of goods. Nonspecialized transport activities, when collecting transport charges, are required to use unified printed receipt forms issued by the communication and tax collection departments. Communication departments in charge are responsible for making unified arrangements for the transportation enterprises, for making a rational geographical distribution of transport tasks and for preventing the blind development and organizing of transportation units. They should step up supervision and education of the units and persons engaged in transportation operated by the people and firmly challenge and deal with all transportation activities which are illegal and violate the policies and statutes of the state and the regulations governing transportation.

2. Stepping up management and control of the enterprises.

The major contents at the moment are:

First, we must correct the operation orientation of the enterprises. At present, in their operation activities, some of the enterprises engaging in transportation operated by the people do not have regard for the state plan or for social needs. They unilaterally go after profits and thereby bring about dislocation between the production and transportation of products and between production and actual needs, and disturb the state of balance in social reproduction. For this reason, enterprises engaging in transportation operated by the people must carry out the transportation plan of the state, organize transportation with the objective of enhancing economic results for the national economy and insist on the socialist direction of operation.

Second, consideration must be given to taking good care of the tri-party interests and to doing a good job in the distribution of income. At present, there is a tendency on the part of certain enterprises engaging in transportation operated by the people to regard only the interests of the collective and of the individuals and to disregard the interests of the state. And there are some enterprises, though only a minority, which disregard the accumulation needs of their own enterprises and proceed to divide up, and literally "eat up" by themselves, the profits. Undoubtedly, a tendency of this kind should be rectified. We must indeed adhere to the principle of "letting the state obtain more, the collective retain more, and the individual receive more in an appropriate way," in this way handling well the material interests relations of the various parties.

Third, setting up and perfecting the economic responsibility system is at present the central link in strengthening the management of the enterprises.

Implementation of the economic responsibility system in enterprises handling transportation operated by the people must manifest the relations of responsibility which the enterprise holds to the state, to the cargo owners and to the travellers and which the employees and workers hold to the enterprise. First, to combat the weak basic work done by these enterprises, what we should do now is to strengthen their basic work such as their original registration records, inspection charts, statistics and accounts and, on this basis, clarify the area of responsibility of each individual and carry out well the system of fixed personnel management. In addition, we should fix the average progressive norms and carry out well management of the fixed norms. Second, concerning compensation for cadres and employees and workers, it must be in conformity with the operation results of the enterprise. A distribution form suitable for use in the enterprise should be adopted, thereby arousing the labor enthusiasm of the employees and workers and heightening the production efficiency of the enterprise. Third, to deal with the large incidence of accidents in transportation operated by the people and the poor quality of the transportation work (principally seen in its low speed, failure to follow the time schedule, and high loss ratio), we should thoroughly revamp and consolidate labor discipline, grasp well safety protection and quality control. In line with gradual transition to mechanization of the means of transport and elevation of the degree of socialization of the productive force of transportation, we should actively engage in the training up of talented personnel in modernized management, thus fitting in with the urgent need for stepping up enterprise management in this transportation sector.

3. Searching for a management system which conforms to the laws governing development of transportation operated by the people.

For a prolonged period of time, it has been found that the management system of transportation operated by the people is extremely imperfect, that there have been too many variations, and that methods differ in different localities. This is highly disadvantageous to its development. Actually, at the moment, we are still searching for a management system that befits its development. In my opinion, the management system should be in conformity with the laws governing its development. This transportation sector has many special characteristics, such as a large number of service points, a wide coverage area, a complex type of personnel, divergent nature of teams and workers, numerous transport lanes and channels, and the divided and scattered state of the management. These special features determine that the management system must manifest and embody the principles that there must be centralization as well as dispersion, that control must be firm but not strangling, and that in dispersion there is no confusion. Accordingly, I recommend: 1) At present the arrangements call for separation of water transport from overland transport. Management is separately invested in a control section in charge of water transport and a control section for overland transport. This should be replaced by the formation of unified companies at various levels extending from the central government to the local governments, taking charge of transportation operated by the people and exercising control over both water transport and overland transport. The transport plan should be unified while

organization of cargo sources, dispatch and command, transport charges and regulations and procedures are all to be unified. The infrastructure of the companies may comprise separate water transport and overland transport sections or teams. Unified leadership will be enforced, management and control will be carried out at various levels, and the companies will handle their business accounting separately and independently, each assuming sole responsibility for own profit or loss. In this way, we shall form a command structure for transportation production which embodies the principles of centralization and dispersion, can readily issue commands and comprises component parts each assuming separate responsibilities.

2) Taking into consideration that in the management of this sector of transport a strong government policy is necessary, that heavy ideological and educational work is required, and that we must look out for the livelihood and welfare needs of the employees and workers and their family dependents, the management system must be so devised as to manifest the combination and coordination of departments and regions at various levels, and the linking together of both economic tactics and administrative tactics. To this end, communication departments in the central government and local governments at various levels should form small but efficient structures exercising control over this transportation sector and taking charge of such matters as policy enforcement, ideological and educational processing of the employees and workers, training of cadres, employment and allocation of personnel, labor insurance and welfare, and so on. There must be a clear division of work between these organs and the transportation companies mentioned above. The latter have command of administrative work while the former, guidance and leadership over business affairs. There should be no overlapping or confusion.

IV. Technical Transformation of Roads and the Means of Transport Constitutes the Basic Means To Develop Transportation Operated by the People

Up to the present, quite a large portion of the means of transport employed in this transportation sector consist of tools and appliances requiring manual handling work. This is particularly true in departments handling overland transport. For example, in the overland transport departments of Anhui Province, 67 percent of the volume of transport is done by manual work while mechanized transport accounts for only 33 percent. While the means of transport employed in this sector have their traditional techniques, the great majority of them embody such defects as being clumsy in size, small in carrying capacity, slow occasioning much damage to roads.

Roads traversed by these means of transport are largely located in the countryside and in mountainous districts. They generally have a thin road surface, abrupt turns, and steep gradients. Their construction work is generally poor in quality. They exert great resistance to vehicle movements. Traversing the narrow mountain lanes is perilous and the means of transport easily suffer damages. In the case of water transport, the navigation lanes are usually shallow and short in navigable distance. The channels are often narrow. There are many stoppages on the waterways and boats

carrying cargoes frequently find it difficult to make through passages to their intended destinations. For example, in Anhui Province, in 1964 the navigable distance of waterways was over 8,000 kilometers. It is now only 5,489 kilometers, a reduction of 34 percent. Moreover, through the years, little attention has been given to the comprehensive utilization of water resources, and, as a result even on the navigable routes navigation is frequently interrupted by dams and bridges. It is found that along the waterways in the province, there are no less than 88 points at which dams block ongoing traffic and at least 27 places where bridges do likewise.

Means of transport, waterways, and roads constitute the central and fundamental links of transport. They are overall factors controlling development of the form of transport. If their technical transformation is not carried out, it will be difficult to raise the efficiency rate of transportation operated by the people and there will be no way to fulfill the heavy and difficult tasks imposed on it in the four modernizations. It will not be possible for the workers to extricate themselves from the heavy and clumsy manual labor. Basically speaking, there will be no safety protection and the workers cannot display their zeal and enthusiasm for work. In this way, transportation operated by the people will be unable to find a way out. Thus, it is imperative that the means of transport employed in transportation operated by the people, and the transport lanes be technically transformed.

In carrying out technical transformation, first of all we must start from the national condition and strength of our country. We have a weak foundation, lacking in material and financial resources and cannot afford the huge capital outlay necessary for the technical transformation work. Moreover, this transportation sector is weak in technological strength. To train up a technical force cannot be accomplished within a short period of time. Therefore, in the technical transformation of both the means of transport and the transport lanes, we can only take up the pivotal points, systematically and with due consideration of our own strength. In the next few years, we can only concentrate our strength on mechanizing transport and loading and unloading equipment in the large cities and towns, communication and traffic centers, and industrial and mining areas, on developing the use of power-driven and steel hull barges on the principal waterways, on raising the standard of the surfacing of trunk highways in overland transport, and on deepening and widening the major inland waterways. In order to display fully the superior points of mobility and adaptability of the traditional means of transport, medium-size and small appliances should preferably play the primary role, to be supported by a multi-layer technical combination structure embodying the coexistence of mechanized, semi-mechanized, and manual means of transport.

Second, we should pay attention to investigation and research and carry out technical transformation scientifically. Regardless of whether technical transformation is being carried out on the means of transport or on the transport lanes, attention should be given to investigation and study of geology, hydrology, topography, environment and weather in order to obtain firsthand information materials. We must perform well trial-point experimentations. Starting with objective transportation laws as the basis, we

should step up forecasting and making estimates. Based on the fluctuating condition of the transport volume of different periods we should work out, for various periods, the requisite use of means of transport, storage places and equipment required, the routes to be taken, and their standard and quality requirements. We should take note of the technical condition of the water transport and overland transport sections of transportation operated by the people, the large, medium, and small appliances and equipment in use, the means of transport and the transport lanes, and, accordingly, work out, in a proportionate manner, measures for their readjustment, coordination, and development.

Finally, to perform well the job of technical transformation, enterprises in this transportation sector should primarily count on themselves in matters concerning material resources and technology and should, fully displaying the spirit of self-reliance and regeneration, speedily train up its own contingent of technical workers.

CSO: 4006/785

TRANSPORTATION

BRIEFS

RAILWAY TUNNEL FINISHED--Shijiazhuang, 19 Aug (XINHUA)--Construction of the Dingzhuang [0002 8389] double-track tunnel, a key project on the Beijing-Qinhuangdao railway, was completed 15 August. On 19 August, the laying of track was started. The Dingzhuang tunnel is located in Qianan County in eastern Hebei Province. Threading through the Longshan Mountain, the 1,349 meter-long tunnel is one of the key projects under construction along the Beijing-Qinhuangdao railway. [By correspondents Tang Boxue, Li Rongkun]
[Text] [OW200606 Beijing XINHUA Domestic Service in Chinese 1320 GMT 19 Aug 83]

CSO: 4006/787

GENERAL

VALIDITY OF GROSS OUTPUT VALUE INDEX EXAMINED

Shanghai SHANGHAI KUAIJI [SHANGHAI ACCOUNTING] in Chinese No 3,
25 Mar 83 p 5-9, p 4

[Article by Gu Lianxi [7357 3425 3305]: " A Preliminary Investigation of What Index Should Be Used To Indicate the Level and Speed of Developments in the National Economy"]

Text] In a speech to the All-China Science and Technology Awards Conference, Premier Zhao said that the issue of the plan index system should be resolved. He pointed out, "There is a great flaw in using gross output value as the primary index as it is not beneficial in reducing consumption and reducing costs and it is not beneficial in the application of new technology." What understanding should we have of this statement by Premier Zhao?

(1) What Flaws Exist in the Gross Output Value Index System

It is my understanding that our present plan index system was originally based on a study of Soviet experience, using gross output value in industry and agriculture to measure production, and functioning as the primary index to measure the level and speed of development of the entire national economy. According to prior experience, the index of the gross output value in industry and agriculture actually has some flaws. These primarily are:

1. It cannot accurately reflect actual conditions in industrial and agricultural production increases;

A. The industrial gross output value is calculated according to the entire "value" of factory products and cannot accurately reflect the expended quantity of living labor and embodied labor.

The gross output value is calculated on the basis of the entire "value" of a product. This includes both the new "value" created by the unit as well as the "value" expended through the transformation of the embodied labor. For an equal amount of labor, if the raw materials used to produce a product are great in quantity and expensive in price the "output value" is then high, and vice versa. Consequently, in different enterprises, whichever has the highest new values will then have the greatest economic results, so there is no mutually comparable basis for gross output values.

B. The gross output value for industry is calculated according to a "factory method," so the gross output value for a department or for an entire commune can hardly avoid having factors with duplicate calculations.

According to the industrial management system presently employed in China the factory is the basic accounting unit. The gross output value is calculated according to the factory. The sum of the gross output value for each factory forms the industrial output value for the department or the entire commune. In this way, because of joint processing among factories it is difficult to avoid the occurrence of duplicate calculation of factors when calculating the gross output value of a department or an entire commune. The greater the division of labor and the more links there are between processing, combined efforts and sets of equipment the greater the ratio of duplicate calculations. It is generally calculated that for one tractor the product value for the processing plant, the combined effort plants, the equipment set plants and the general assembly plant added together are about equal to the output value of 1.5 tractors in an all-round plant. For one item of clothing the yarn plant, cloth plant, dyeing plant and clothing plant each calculate an output value that added together equals the output value of two items of clothing. There are some shops which customarily calculate output value for semi-finished products which they have produced. If a cotton mill uses cotton cloth of its own manufacture an output value must be calculated for both the yarn and the cloth and the output value of the cloth will again incorporate the output value of the yarn. Another example is that the raw materials used in Shanghai industrial production for the most part comes from other provinces where it already has been calculated as output value. The final product of a Shanghai industry also has a certain amount of raw materials and component parts which are supplied to other provinces and which appear as duplicate calculations in the output value of those products. With such repeated increases at each level how can the gross output value accurately reflect the real level of industrial enterprise production? With future developments in industrial production and the gradual increase in the degree of specialization the gross output value will have a higher incidence of instances of duplicate calculation and the high degree of inconsistencies will make any calculations very difficult.

Taking this a step further, in the processing of the exact same products different methods of production and cooperation can result in vastly different calculations of the output value. If plant A does processing work for plant B and receives a processing fee for the work the income from the processing fee is used to calculate the output value. If this is changed to a purchase and sales relationship, then plant A purchases raw materials from plant B and sells the manufactured products back to plant B. There clearly is no change in the quantity of the operation, yet

the output value can be calculated according to the complete "value" of the processed parts, and in comparison with the output value calculated on the income from the processing fee there is an increase in raw materials costs. In the same fashion, if any plant changes from outside purchase to self-manufacture of any given part the quantity of their own operations is increased. If there is a change from self-manufacture to outside processing the work quantity is then decreased. However, because there is no change in the final product the calculation of the gross output value remains the same and is not influenced by any increases or decreases in the quantity of the plant's operations. This obviously does not make sense.

In the agricultural production departments there are comparatively fewer processing and combined operation relationships. However, calculations of the gross output value often also produce a certain degree of duplication. For example, the seeds, chemical fertilizers, pesticides and fuel used in cultivation are all purchased. This portion of the "value" of materials has duplicate calculations of the gross output value. With future developments in agricultural production there will be a gradual increase in the division of labor and combined operations so there will be a gradual increase in the ratio of duplicate calculations in the gross output value.

C. The gross output value is calculated according to a "constant price" which results in a discrepancy between the actual value and the current price of a product. According to the current cost system in China, there is always a great discrepancy between the cost of a product and its value. In calculating gross output value it is necessary to work within identical time periods in order to have comparability, so constant prices are used in order to have a basis for calculating costs within a given time period. This makes sense. However, after the improvement in labor productivity the amount of social necessary labor per product unit, i.e., its value, continually declines so the sales price also declines in response. However, because the calculation of the gross output value used a constant price this was maintained at the original value. Many mining and agricultural products (such as coal and grain) had excessively low original prices, which have since been raised, but which are shown in the gross output value as if they were permanent. Consequently, there is an ever greater discrepancy between the product output value calculated according to the constant price and its current price and its actual value. In practice, in order to avoid inordinate discrepancies between the constant price and the current price, every 10 years there is a readjustment of the constant price according to the current price. However, the developments over the passage of time allow this discrepancy to grow increasingly greater. This is especially true of a few new products, which go into production with excessive consumption, high costs and a high selling price. The State Statistical Bureau then establishes a fixed price for

calculating output value according to the current selling price. However, with improvements made by technological advances and an improved level of labor skills the costs and the selling price continually have large declines. This then brings about an increasingly greater distance between the product output value and its actual value and the current selling price. For example, single switch integrated circuits were 100 yuan each according to the 1970 constant price, but in 1976 each sold for approximately 3 yuan, a 30-fold difference. Another example is chemical fiber products which have high prices and large profits, which caused blind development everywhere. Although these have recently had price decreases their output value is still calculated according to 1980 constant prices, which obviously does not make sense. According to statistics, for 1981 the entire municipality had an industrial gross output value of 64.75 billion yuan calculated according to the 1970 constant prices, while the 1980 current price was calculated as 60.87 billion yuan, a difference of 3.88 billion yuan. This portion of the output value is actually false.

D. The method of calculating output value does not accurately reflect the actual quantity of products produced. Some products have a great many varieties and standards, so to simplify the work of calculating the output value the many colors, types and standards of quality for similar products are calculated under the same standard of constant prices. For example, for galvanized steel wire and enamel insulated wire the gauge is not mentioned and for castings there is no mention of simplicity or complexity and all are calculated according to tonnage. Clothes are not distinguished by size but are calculated by pieces. Exercise books are not distinguished by size or thickness but are calculated in units of 1,000. Other examples are that the same calculations are made for coarse and fine products and domestic sales and export products are calculated together, and so on. Output values calculated in this fashion obviously cannot accurately be actual quantities of all types of products.

Generally speaking, a factory uses the complete production process along with the products held in storage to calculate its output value. However, because some mechanical and electrical products have a high per unit price and a long production period, regulations allow them to calculate output value starting at the processing of materials, and later, as the processing progresses over the months and weeks the output value is increased until the product is completed and put into storage. Consequently, its output value includes a number of products, semi-completed products and parts and does not at all reflect the quantity of products which have been completely processed. As for the enterprises which are carrying out major repair efforts regulations stipulate that they also must calculate their output value. However, this portion of the output value does not at all reflect any product that the enterprise provides for society. This also demonstrates that use of the gross output value to measure the quantity of products produced has certain inaccurate elements.

To sum up the above, the industrial and agricultural gross output value cannot accurately reflect the true conditions of quantity of products produced and amount of labor consumed by each unit so that certain indicies derived from this index for the industrial and agricultural gross output value, such as labor productivity, output value-capital rate and output value-profit rate also are not able to accurately reflect the true situation.

What is even more important is that if we take the gross output value as the primary index for accounting, then, as practice has proven, some industrial enterprises and management departments while attempting to fulfill their goals easily take advantage of legal loopholes or disregard social results in blindly producing and even committing fraud, creating unnecessary waste. For example: An all-round plant is divided up into a number of specialized plants; a processing relationship is changed into a sales relationship; self-manufacture is changed into export processing; the production of large quantities of high output value products or coarse, simple products; decreases in production of low output value products or fine, complex products; have a willingness to produce products which use large amounts of raw materials but little labor and be unwilling to produce products which use small amounts of raw materials but great amounts of labor; be willing to be a main engine plant but unwilling to be a parts plant; for large-scale mechanical and electrical products materials processing starts ahead of time, some semi-manufactured products are produced in great quantity while few entire machines are completed, and so on. This unhealthy trend can easily lead to disharmony in industrial production and if the products do not meet social needs this is a strike against the planning basis of socialism.

2. It reflects only production quantity increases in industry and agriculture and does not reflect the quality of economic results.

Socialist economic construction demands that "under the premise of continually improving economic results" the hard struggle for economic development has a relatively high rate of speed. The level of economic results is primarily observed under the premise of providing a suitable applied value for society, in making a comparison between input and output and whether it is possible to use the smallest amount of human, material and financial forces to achieve the greatest results. However, the index of the industrial and agricultural gross output value only reflects the quantity of the output and does not reflect the quantity of the input and so there is no way to evaluate these industrial and agricultural products and determine precisely how much human, material and financial forces were consumed and whether the economic results are high or low. In other words, are product costs rising or falling? Is product quality improving or declining? Do

the products have any sales or are they stored in warehouses, or are they completely without practical value and must be written off? Was the amount of capital used large or small and was the turnaround fast or slow? The gross value index cannot provide answers to any of these questions.

Consequently, the use of the gross output value as the primary accounting index is adequate in guiding the enterprise toward improved value but ignores the issues of pursuit of lower costs, improved quality and product upgrading and marketing as well as accelerated capital turnover. This can only endanger social and economic results.

3. It cannot provide a comprehensive look at overall development in all departments of the nation economy and at social developments.

Industry and agriculture unquestionably are the most important material goods production departments of all departments in the national economy. However, in addition to industry (including mining) and agriculture (including forestry, animal husbandry, household sideline occupations and fishery), construction also is a material production department and commerce and transportation all create a certain value in the process of commodity flow. None of this is reflected in the industrial and agricultural gross output value. There also are non-material goods production departments, such as municipal facilities, transportation, post office and telegraph, banking, insurance and purely commercial and service trades, all of which are not included in the gross output value. As for these, however, it is not that they are factors which national economic development can do without or that they do not develop along with industrial and agricultural production, because the development of the entire national economy is mutually dependent a certain proportional relationship does exist.

In addition, developments in the departments of science, education, culture, physical education, medicine, health and social welfare are also important conditions in the construction of socialist spiritual civilization. We can only promote smooth progress in our socialist modernization efforts if these departments are coordinated in making compatible developments with the material construction departments. However, developments in these departments cannot be shown as they ought to in the industrial and agricultural gross output value index.

Consequently, with regard to the complete state plan or a complete prefectural plan, if we take the index of industrial and agricultural gross output value as our primary target to strive for it is then possible that in the areas of planning arrangements, training of human talent, allocation of funds and materials supply

our main energies would be concentrated on the immediate need for development of agriculture and industrial production and that we will ignore construction and development in other departments, especially the non-material production departments, thus creating an imbalance in the development of the entire national economy, an imbalance in economic construction and social construction, and an imbalance in spiritual civilization developments. These departments develop slowly and will lag behind developments in industrial and agricultural production. Since the founding of the state, and especially as practice during the "10 years of chaos" proves, the contradiction resulting from "output value taking command" absolutely cannot be ignored and ought to be thoroughly investigated and reformed.

(2) The Significance of the Quadrupling of the Industrial and Agricultural Gross Output Value Suggested by the 12th Party Congress

Since the smashing of the "gang of four" and the restoration of order from chaos and the absorption of the lessons of the past, the eight major indicies for enterprise accounting no longer include the gross output value index and its functions as a statistical index, thus freeing the enterprises from the shackles of the gross output value. It must be said that this is a step forward.

At present, Comrade Hu Yaobang at the 12th CPC Party Congress suggested that we strive to bring about a quadrupling of the entire nation's industrial and agricultural gross output value by the year 2000. What differences does this principle have with the previous formulation "output value takes command." I believe that one difference is that the quadrupling of the gross output value is based on the premise of continued improvement of economic efficiency. We must place improvement of economic results in first place in all tasks rather than simply pursue increases in gross output value. This is a basic difference. Another difference is that the quadrupling is a general goal for increases over 20 years throughout the whole nation and one which does not distinguish time periods, departments, prefectures or units but which uniformly suggests the standard of a quadrupling by the end of the 20th century. In terms of time, the first 10 years lay a firm foundation for the last 10 years, so that the first 10 years will have slower increases than the latter 10 years. In terms of departments, agriculture will be somewhat lower and industry somewhat higher. Within the industrial departments, the departments of energy production and metallurgy will be somewhat lower while others will be somewhat higher. There also might be differences within a given department, a given profession or a given enterprise. At the same time, in terms of prefectures, there are advanced and backwards prefectures, seaboard and interior prefectures, prefectures which have relatively good or relatively poor

industrial foundations, prefectures which have fully tapped and utilized their potentials and others which have not yet done so, so the requirements for increased speed are not identical. This demonstrates that the demand for a quadrupling of the industrial and agricultural gross output value is based in reality and is practical. Based on this, there is no reliance on letting "output value take command." On the contrary, we must have firm faith in the policies of the party central committee, be united with a common purpose and wholeheartedly cooperate in making contributions to the common struggle of reaching this great goal.

(3) What Index Should be Used to Reflect the Speed of National Economic Development

Because the gross output value index is calculated on the basis of value it is relatively concrete and accurate, yet in order to give an overall picture of economic results it is difficult to determine precisely which index or index system is more suitable. This is especially true for the non-material goods production departments because there is no direct relationship with the agricultural gross output value, so it is even more difficult to find a suitable index to measure and reflect the situation. For this reason, the slogan of quadrupling can hardly avoid arousing in some quarters a tendency to pursue gross output value, which brings with it a number of flaws. Consequently, workers in economics and researchers of economic theory must sincerely carry out studies to determine exactly which index or index system should be used to substitute for or supplement the industrial and agricultural gross output value index and use it to more accurately and more completely reflect the speed of development in our national economy and our society. In answer to this problem there are some people who advocate using the "national economy gross output value" index because it includes the gross production value of all material goods production departments. However, just the same, it cannot avoid the problem of duplicate calculations of output value and it still is unable to reflect economic results and the level and speed of developments in the non-material goods production departments.

There are some people who advocate using the "ultimate social product output value" index. This index uses currency to express the production quantity of social products completely produced and provided for final consumption and application within a given period by all material goods production departments within the entire society. Within a given scope (such as a province or city) this can eliminate the duplicate calculation of factors. Within a closed society this is approximately equal to the national income of that society. However, if it is not a closed society, it will then still be difficult to avoid duplicate calculations. Moreover, in just the same fashion, it cannot reflect economic results or the level and speed of developments in the non-material goods production departments.

There are some people who advocate using the "national income" index. This takes the national economy gross output value and deducts the expense of the production process of the material goods value to arrive at the net output value. This index can eliminate the duplicate calculations created by gross output value, but it cannot reflect the amount of living labor consumed in production. This is because the quantity of living labor consumed only influences the amount of the national income distribution paid to individuals as labor wages and the amount accumulated by the state and industries and does not influence the total amount of the national income. At the same time, it also cannot reflect developmental conditions in the non-material goods production departments because income from these departments generally falls under the category of redistribution in the national income.

Some people advocate trying out the "gross national product" index customarily used by western nations. This includes the net output value of all material goods production departments and the net income (including the sum of the staff and worker wages, profits, interest, taxes and the depreciation on the fixed assets of all departments) of all non-material goods production departments (including organizations and groups along with the cultural, educational, medical, health, science and technology departments). Its superiority is that it includes the final product value and labor and service values for the entire society and that it eliminates duplicate calculation of factors. It however also has the problems of being unable to reflect the amount of living labor consumed and unable to reflect the ratio of accumulation and consumption.

Some people believe that it is impossible to use a single index and that it is mandatory to use a complete indexing system to be able to reflect growth of the national economy and also be able to reflect improvements in the overall level and the economic results of all departments of the national economy. What content should this indexing system then include? The current method of industrial enterprise accounting includes the eight indices of product production quantity, product variety, quality, consumption, labor productivity, costs, profits and capital. However, this indexing system can only be applied in individual industrial enterprises and it includes several indices such as product quantity, product variety, quality and consumption which do not reflect the value amount, so it is difficult to synthesize these indices. As for all the departments in the entire national economy, including non-material goods production departments, it is even more difficult to use a few less indices to present a comprehensive picture.

From this we see that these indices mentioned above each have their superiorities and inferiorities. Which index or index system actually would be better is a matter which awaits further investigation.

My interim views are that:

1. The current "industrial and agricultural gross output value" index is relatively easy and simple to calculate and is generally familiar to everyone so there is no obstacle to continuing its use. However, it can only function as a statistical index to make periodical stage by stage itemized reports to the higher level for the convenience of the leadership departments in making analyses and comparisons. To a certain extent it reflects the level and speed of production developments for a given department or prefecture or for the industrial and agricultural enterprises throughout society. However, it is not suitable to use this index as the accounting index for departments and prefectures or enterprises. It is even less suitable to use it as a command index for each level down to and including the basic level. It also is not suitable to use this index alone as a comprehensive index to reflect the level and speed of national economic development.

2. We ought to use other comprehensive indicies to replace the industrial and agricultural gross output value index in order to reflect the level and speed of economic and social developments and to reduce the potential number of flaws that it creates. This municipality is now conducting trial applications of the "national income," that is, the "net output value" index, the "national economy gross output value" index and the "gross national product" index. I believe that the structure of the "gross national product" index, which includes the entire social final product value (national income) and the labor and service values is relatively complete and that it also resolves the problem of duplicate calculations. It provides the briefest and most important indicies which reflect the level and speed of development of a country's economy and society. In the West, the level of a country's "gross national product" is used to levy United Nations membership fees and determine loan interest rates for the World Bank, so it seems that we could use it for reference. However, it is only suitable for use as a statistical index and cannot be used as an accounting index. At the same time, conditions in China are different from those in the Western market economy nations, and the method of calculating the "gross national product" does not need to exactly follow the methods of the Western nations, but ought to be revised according to concrete conditions in our country. For example, it is worthy of investigation to decide whether or not fixed asset depreciation ought to be included in this index. Furthermore, if this index is used in the future it will be necessary for the statistical departments to use identical standards in calculating the annual "gross national product" since Liberation in order to make analytical contrasts.

3. In addition to the "gross national product," we can provide a number of supplementary and necessary economic indicies, such as (1) "financial income," including the actual amounts collected

and turned over to the state from tax income, profits, capital fund use fees and treasury notes. This is used to calculate the amount of the gross national product which is concentrated in the state. (2) "Individual income" is used to reflect the portion of the gross national product which is distributed to individuals (including the whole people and the collective staff and workers and the individual economy). (3) The "capital investment value" includes the value of capital invested by the whole people and the collectives in all external or internal expanded reproduction and is used to reflect the amount of the gross national product used for accumulation and the ratio between accumulation and consumption. (4) The index of the "number of days in the turnover of circulating funds" is used to promote the improvement of economic results and to improve the overall balance in the national economy. In addition, it is also possible to use the gross national product as the foundation for any number of derivative indicies, such as the "per capita gross national product," "labor productivity," and the "capital investment efficiency rate" (the amount of gross national product created by each 100 yuan of capital investment), and so on. These can be used to observe conditions in national economic development from many aspects and to provide a comprehensive evaluation of the actual results.

Shanghai municipality has strong leadership and each unit must emphasize profound understanding of the principles of the 3rd Plenum of the 11th Party Congress and the 12th Party Congress and use these as indicators to sum up the lessons from the experiences of past work, to rectify the guiding ideology in economic work and to investigate the present advantageous and disadvantageous conditions in order to bring all economic work on the path of improving economic results. This is entirely correct and to the point. We must firmly support this directive of the municipal leadership, and in making progress in rectifying the guiding principles we must broadly open up construction of the new situation, i.e., we cannot let the "index take command," and become a slave to the output value index. We must also unite under the party's guiding principles and actively make an even greater contribution to the task of realizing the quadrupling throughout the whole country. Let us join together in arousing our spirits to bravely march forward!

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